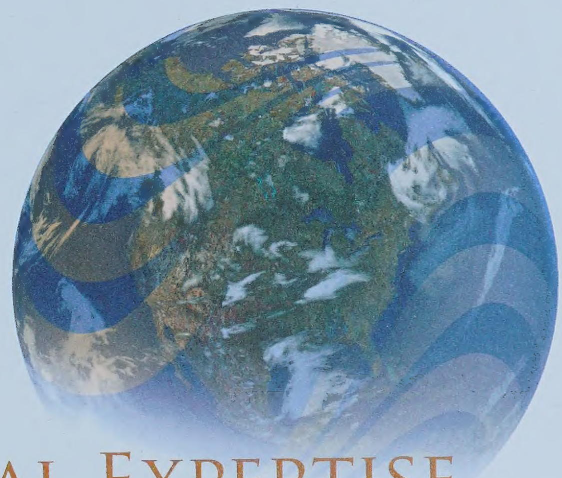

GLOBAL EXPERTISE
LOCAL DELIVERY
POWERED BY PEOPLE

STANTEC INC.
2007 FINANCIAL REVIEW

Stantec

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This book is part of a two-part publication. It focuses on Stantec Inc.'s 2007 financial and operating results. For a more general overview of our Company, refer to our 2007 Business Review. Our 2007 Financial Review and Business Review can be viewed on line at www.stantec.com under the Investors section.

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STANTEC INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

and

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2007, and 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

February 20, 2008

This discussion and analysis of Stantec Inc.'s operations and financial position, dated February 20, 2008, should be read in conjunction with the Company's 2007 audited consolidated financial statements and related notes. Our 2007 audited consolidated financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in Canada, which differ in certain respects from GAAP in the United States. Note 22 of the audited consolidated financial statements summarizes the principal differences between Canadian GAAP and US GAAP that affect our financial statements. Unless otherwise indicated, all amounts shown below are in Canadian dollars. Additional information regarding the Company, including our Annual Information Form, is available on SEDAR at www.sedar.com. Such additional information is not incorporated by reference and should not be deemed to be made part of this Management's Discussion and Analysis.

During the second quarter of 2006, our shareholders approved the subdivision of our common shares on a two-for-one basis. All references to common shares, per share amounts, and stock-based compensation plans in this Management's Discussion and Analysis have been restated to reflect the stock split on a retroactive basis.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Our communications often include forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act and Canadian securities law. Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions and courses of action and include future-oriented financial information.

Statements of this type are contained in this report, including the discussion of our goals in the Visions, Core Business, and Strategy section and of our annual and long-term targets and expectations for our practice areas in the Results and Outlook sections, and may be contained in filings with securities regulators or in other communications. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives for 2008 and beyond, our strategies or future actions, our targets, our expectations for our financial condition or share price, or the results of or outlook for our operations or for the Canadian or US economies.

We provide a financial outlook (a type of forward-looking statement) for our business in the Vision, Core Business, and Strategy; Results; and Outlook sections of this report in order to describe management expectations and targets by which we measure our success. Readers are cautioned that this information may not be appropriate for other purposes.

By their nature, forward-looking statements and financial outlooks require us to make assumptions and are subject to inherent risks and uncertainties. Assumptions about the performance of the Canadian and US economies in 2008 and how this performance will affect our business are material factors we consider in determining our forward-looking statements and are discussed in the Outlook section. There is a significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this report not to place undue reliance on our forward-looking statements since a number of factors could cause actual future results, conditions, actions, or events to differ materially from the targets, expectations, estimates, or intentions expressed in these forward-looking statements.

Future outcomes relating to forward-looking statements may be influenced by many factors, including, but not limited to, global capital market activities; fluctuations in interest rates or currency values; our ability to execute our strategic plans or to complete or integrate acquisitions; critical accounting estimates; the effects of war or terrorist activities; the effects of disease or illness on local, national, or international economies; the effects of disruptions to public infrastructure such as transportation or communications; disruptions in power or water supply; industry or worldwide economic or political conditions; regulatory or statutory developments; the effects of competition in the geographic or business areas in which we operate; the actions of management; or technological changes.

We caution that the foregoing list is not exhaustive of all possible factors and that other factors could adversely affect our results. The Risk Factors section below provides additional information concerning key factors that could cause actual results to differ materially from those projected in our forward-looking statements. Investors and the public

should carefully consider these factors, other uncertainties, and potential events as well as the inherent uncertainty of forward-looking statements when relying on these statements to make decisions with respect to our Company. The forward-looking statements contained herein represent our expectations as of February 20, 2008, and, accordingly, are subject to change after such date. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time.

VISION, CORE BUSINESS, AND STRATEGY

Our Company provides professional consulting services in planning, engineering, architecture, interior design, landscape architecture, surveying and geomatics, environmental sciences, project management, and project economics for infrastructure and facilities projects. By integrating our expertise in these areas across North America and the Caribbean, we are able to work as one team providing our clients with a vast number of project solutions. This integrated approach also enables us to execute our "Global Expertise. Local Delivery." operating philosophy. We support the services we deliver through local offices with the knowledge and skills of our entire organization. Through multidiscipline service delivery, we also support clients throughout the project life cycle—from the initial conceptual planning to project completion and beyond.

Our goal is to become a top 10 global design and consulting services firm, and our focus is providing professional services in the infrastructure and facilities market principally on a fee-for-service basis. To achieve our objective, we must expand the depth and breadth of our services, which will result in growth. We intend to continue to pursue a prudent growth plan.

Looking ahead, we plan to gradually and systematically expand our geographic reach outside North America in markets that are best suited and receptive to our services as these services evolve and mature. International work currently accounts for 1% of our business. By 2018 we target to generate up to 20% of our revenue from our international work, most likely by expanding to the United Kingdom, Australia, and New Zealand.

Our business strategy is based on mitigating risk by

- Diversifying our operations through a focused, three-dimensional business model
- Serving many clients on many projects
- Taking on little or no construction risk
- Positioning ourselves among the top-three service providers in our geographic regions and practice areas

Our focused, three-dimensional business model allows us to manage risk while continuing to increase our revenue and earnings. The model is based on

- Diversifying our operations across several geographic regions
- Specializing in distinct but complementary practice areas
- Providing services in all five phases of the infrastructure and facilities project life cycle (planning, design, construction, maintenance, and decommissioning)

Through our "One Team. Infinite Solutions." and "Global Expertise. Local Delivery." operating philosophy and approach to our business and service delivery, we have one reportable GAAP segment—Consulting Services—which is an aggregate of our operating segments. Our operating segments are based on our regional geographic areas, and our chief operating decision maker (chief executive officer) assesses our Company's performance based on financial information available from these geographic areas. In addition, we have practice areas that provide strategic direction, mentoring, and technical support across all of our geographic regions.

The following discussion outlines the three main components of our business model.

Geographic Diversification

Currently, we operate in three main regions in North America—Canada, the US East, and the US West. We also have a small presence in the Caribbean and a project presence in several international locations. Our goal is to position our Company among the top three service providers in each of our regions. Based on our services mix, this generally means achieving a market penetration of 100 employees or $10 million in revenue per 1 million in population. We realize this objective in our existing regions primarily by adding services through organic growth and strategic hiring supplemented by acquisitions. We achieve our target in new regions principally by acquiring and integrating firms that complement our organization supplemented by organic growth and strategic hiring.

Practice Area Specialization

Currently, we provide services in five specialized and distinct practice area groupings—Buildings, Environment, Industrial, Transportation, and Urban Land. Focusing on this combination of project services helps differentiate us from our competitors, allowing us to enhance our presence in new geographic regions and markets and to establish and maintain long-term client relationships. Our strategy for strengthening this element of our business model is to expand the depth of our expertise in our current practice areas and to selectively add complementary new practice areas to our operations.

Buildings. We provide architectural and engineering design solutions to both private and public sector clients in a wide range of market sectors across North America through two specialist practice areas: 1) Architecture and 2) Buildings Engineering. Our focus is on the architectural and engineering design of buildings from preconception to postcompletion in the health care, retail/commercial, education, sports/recreation, and airports market sectors. Our core services include project and program definition, facilities planning, architectural design, interior design, and structural, mechanical, electrical, and acoustical engineering for both new construction and existing buildings. For existing buildings, we offer expertise in performance engineering, building operating systems (including analysis of exterior envelope, air quality, lighting, and energy efficiency), and ongoing tenant improvements. Over the past few years, our Buildings practice area has also established an industry-wide reputation for leadership in sustainable and integrated design.

In 2007 the Buildings practice area grew through the acquisition of architecture firms in British Columbia and Ontario in Canada and in California in the United States. Going forward, our focus in 2008 and over the next 10 years will be on continuing to build the Buildings practice area, starting with our architecture practice, in the United States and also internationally.

Environment. We provide solutions for water supply and wastewater disposal for communities and industry; planning and permitting infrastructure projects; ecosystem restorations; and soil-structure interaction evaluations through four specialist practice areas: 1) Environmental Infrastructure, 2) Environmental Management, 3) Environmental Remediation, and 4) Geotechnical Engineering. Our core services in these areas include water supply, treatment, storage, and distribution; wastewater collection, pumping, treatment, and disposal; watershed management; environmental site management and remediation; environmental assessment, documentation, and permitting; ecosystem restoration planning and design; subsurface investigation and characterization; and geotechnical engineering.

In 2007 we expanded our Environment practice area through organic growth in our existing geographic locations as well as through the addition of firms (in the fourth quarter of 2007 and at the beginning of 2008) with offices in Maine, New York, Georgia, Indiana, Kentucky, Missouri, Ohio, Pennsylvania, West Virginia, Tennessee, and New Brunswick. In particular, these additions strengthened our capabilities in wastewater collection and disposal, ecosystem restoration, and flood control. We also added a geotechnical engineering capability focused on major civil works, such as dams and levees, bridge foundations, highways, and waterfront structures, as well as an environmental remediation capability focused on services for the energy, manufacturing, chemical, pulp and paper, and transportation industries. In 2008 we will focus on strengthening the Environment practice area by continuing to grow our profile and market share throughout North America, particularly in central Canada, the US Southeast, and California. Over the next 10 years, our goal will be to continue to improve our presence in the environment market in the United States, along with targeting international expansion.

Industrial. We provide industrial solutions to clients in the bio/pharmaceutical, power generation, utilities, mining, automotive, chemical, consumer products, forestry, food and beverage, pulp and paper, and general manufacturing sectors. Our core services include planning, engineering, and project management, which we deliver through five specialist practice areas: 1) Manufacturing, 2) Power, 3) Resources, 4) Bio/Pharmaceuticals, and 5) Program & Project Management. We also provide specialty services in occupational health and safety, system integration, instrumentation and control, electrical energy and power management, facility planning and design, industrial engineering, logistics, materials handling, and commissioning.

In 2007 we strengthened the services this practice area provides for the power and utilities, oil and gas, pulp and paper, food and beverage, mining, and composite wood products sectors through the acquisition of the Neill and Gunter companies in Atlantic Canada and the northeastern United States. We are now a midtier consultant in several of these industries across North America.

To meet our growth objectives going forward and to allow for more focus in some sectors, we reorganized this practice area as of January 1, 2008. The name of the practice area was changed from Industrial & Project Management to Industrial. This change was made to reflect the fact that we provide project management services throughout our organization; these services are not limited to the Industrial practice area. In 2008 we will also focus on strengthening our presence in the power transmission and renewable energy markets as well as pursuing more opportunities in the food and beverage and electronics industries.

Our goal for the next 10 years is to further position our industrial practice as the largest of the midtier consultants with the ability to undertake most projects in the industrial sector with the exception of large turnkey oil and gas projects.

Transportation. We offer solutions for the safe and efficient movement of people and goods, primarily to public sector clients, through one specialist practice area: Transportation. Our core services include project management, planning, engineering, construction administration, and infrastructure management related to the transportation sector. We prepare transportation master plans for communities; conduct transportation investment studies; plan and design airport, transit, rail, and highway facilities; provide administration and support services for the construction of specific projects; and provide ongoing management planning for the safe and efficient upkeep of transportation facilities. Our broad range of expertise is illustrated by our ability to 1) provide specialized services such as state-of-the-art simulation modeling; 2) evaluate the effectiveness of alternative transportation demand and supply management techniques; 3) prepare investment grade revenue studies for funding transportation projects; 4) provide public consultation and environmental assessment skills to build broad public support for infrastructure plans; and 5) design and implement integrated infrastructure/asset management systems for all types of transportation infrastructure.

In 2007 we enhanced our presence in the transportation market in the US East through the acquisition of Vollmer Associates LLP based in New York City.

To improve the integration of our services in this practice area, we merged the two former specialist practice areas of Transportation and Infrastructure Management & Pavement Engineering into one specialist practice area effective January 1, 2008. In 2008 we will also focus on pursuing opportunities for growth in the US West. Our goal over the next 10 years is to strengthen our Transportation practice area by expanding primarily in growing urban areas across North America and by adding more specialized skill sets.

Urban Land. We provide planning, landscape architecture, surveying, engineering, and project management solutions, principally for the land development and real estate industries, through three specialist practice areas: 1) Planning & Landscape Architecture, 2) Urban Land Engineering, and 3) Surveys/Geomatics. Our core services include, or relate to, the development of conceptual and master plans, development approvals and entitlement, infrastructure design, transportation planning, traffic engineering, landscape architecture, construction review, and a wide variety of surveying and geomatics services to support the land development industry and other practice areas.

In 2007 we expanded our expertise in landscape architecture, engineering, and surveys/geomatics in the Urban Land practice area through a number of acquisitions in the US East. Our priority for this practice area in 2008 is to continue to diversify the services we provide for nonresidential development sectors. In the next 10 years, we expect to expand the practice area geographically in the fast-growing parts of the western and southern United States, which will give us an increased presence in Texas, Arizona, Florida, Georgia, and the Carolinas.

Life Cycle Solutions

The third element of our business model is the provision of professional services in all five phases of the project life cycle—planning, design, construction, maintenance, and decommissioning. This inclusive approach enables us to deliver services during periods of strong new capital project activity (i.e., design and construction) as well as periods of lower new capital project expenditures (i.e., maintenance and rehabilitation). Beginning with the planning and design stages, we provide conceptual and detailed design services, conduct feasibility studies, and prepare plans and specifications. During the construction phase, we generally act as the owners' representative, providing project management, surveying, and resident engineering services. We focus principally on fee-for-service type work and generally do not act as the contractor or take on construction risk. Following project completion, during the maintenance phase, we provide ongoing professional services for maintenance and rehabilitation projects in areas such as facilities and infrastructure management, facilities operations, and performance engineering. Finally, in the decommissioning phase, we provide solutions and recommendations for taking facilities out of active service.

Going forward, our strategy is to continue to expand the scope of services we provide in the initial planning stages and during maintenance, allowing us to establish longer-term relationships with clients and to strengthen our full "cradle to grave" approach.

Our three-dimensional business model allows us to provide services to many clients and for many projects, ensuring that we do not rely on a few large projects for our revenue and that no single client or project accounts for more than 5% of our business.

KEY PERFORMANCE DRIVERS AND CAPABILITIES

Our performance depends on our ability to attract and retain qualified people; make the most of market opportunities; finance our growth; find, acquire, and integrate firms and/or new employees into our operations; and achieve top-three market penetration in the geographic areas we serve. Based on our success with these drivers, we believe that we are well positioned to continue to be one of the principal providers of professional design and consulting services in our geographic regions.

People

Because we are a professional services firm, the most important driver of our performance is our people. Our employees create the project solutions we deliver to clients. Consequently, to achieve our goal of becoming a top 10 global design firm, we must grow our workforce through a combination of internal hiring and acquisitions. We measure our success in this area by total staff numbers. In 2007 our employee numbers increased to approximately 7,800 from 6,000 in 2006. As at December 31, 2007, our workforce was made up of about 4,100 professionals, 2,600 technical staff, and 1,100 support personnel. We expect our employee numbers to continue to increase in 2008 and beyond.

To attract and retain qualified staff, we offer opportunities to be part of "One Team" working on challenging multidiscipline projects with some of the most talented people in our industry. We are continually strengthening and supporting our people-oriented, "One Team. Infinite Solutions." culture. In 2007 we completed a number of activities, including the expansion of our Career Development Center with updated content and new in-house programs and training. Launched in 2005, the center is the on-line source for all our learning, coaching and mentoring, and professional and career development resources. It provides access to programs and material on topics such as employee orientation, integration (acquisition) training, people skills and leadership, project management, risk mitigation, business development, and financial management, among others. Going forward, we will continue to update and improve our learning and career development programs in response to the needs of our staff.

To measure our success in attracting and retaining staff, we use tools such as employee engagement surveys, ongoing requests for feedback, and exit interviews. The results of these performance metrics help us develop programs and initiatives for improving and maintaining staff engagement. We also track turnover rates for our staff through our business information system.

Our "diversified portfolio" approach to business, operating in different regions and practice areas, and our "One Team" philosophy, using and sharing the best available staff resources across the Company, generally enable us to redeploy a portion of our workforce when faced with changes in local, regional, or national economies or practice

area demand. Although there will always be some areas where it will be difficult to find appropriate staff during certain periods, as we increase in size we become better able to address these issues by mobilizing staff from other parts of the Company either through temporary relocation or work sharing. We are continually improving our ability to work on projects from multiple locations through standardized practices and systems, project collaboration, and Web-based technology.

Market Opportunities/Acquisition and Integration

We believe that growth is necessary in order to enhance the depth and breadth of our expertise, broaden our services, increase our shareholder value, provide more opportunities for our employees, and lever our information technology systems. Our strategy is to combine internal growth with the acquisition of firms that believe in our vision and want to be part of our dynamic Company. Since we became publicly traded on the Toronto Stock Exchange (TSX) in 1994 to date, we have integrated a total of over 6,300 employees into the Stantec team from throughout Canada, the United States, and the Caribbean. In 2007 we completed 11 acquisitions, including four in Canada, which created a new geographic subregion in the Atlantic area, and seven in the United States, which expanded our business into Connecticut, Delaware, Indiana, Kentucky, Missouri, Ohio, Pennsylvania, and West Virginia. We are confident that we can continue to take advantage of acquisition opportunities because we operate in an industry sector that includes more than 100,000 firms, most of which are small. According to the *Engineering News-Record*, the largest 500 engineering and architecture companies headquartered in the United States—our principal competitors—generated over US$70 billion in fees in 2007, about 80% of which was earned in North America and the balance earned internationally. Our share of our current addressable market is about 1%.

The integration of acquired firms begins immediately following the acquisition closing date and generally takes between six months and three years to complete. It involves the implementation of our Company-wide information technology and financial management systems as well as provision of "back office" support services from our corporate and regional offices. This approach allows our new staff to focus on their primary responsibility of continuing to serve clients with minimal interruption while taking advantage of our systems and expertise.

Our acquisition and integration program is managed by a dedicated acquisition team that supports, or is responsible for, the tasks of identifying and valuing acquisition candidates, undertaking and coordinating due diligence, negotiating and closing transactions, and integrating employees and systems following an acquisition. This team is complemented and enhanced by other operational staff as appropriate. We measure our success in integrating acquired employees through a postintegration survey and use the survey results to address specific issues and improve future integration activities.

Financing

Our success also depends on our continuing ability to finance our growth plan. Adequate financing gives us the flexibility to acquire firms that are appropriate to our vision and complement our business model. Since we became publicly traded on the TSX in 1994, we have grown our gross revenue at a compound annual rate of 20.0%. To fund such growth, we require cash generated from both internal and external sources. Historically, we have completed acquisitions using mostly cash and notes while at opportune times raising additional equity to replenish our cash reserves, pay down debt, or strengthen our balance sheet. To date, we have issued additional shares for these purposes on four occasions—in 1997, 2000, 2002, and 2005. Currently, we have a revolving credit facility, due on August 31, 2010, that provides us with a line of credit of $250 million. Such financing will help us continue to pursue our growth plan.

Market Penetration

Also key to our success is achieving a certain level of market penetration in the geographic areas we serve. Our goal is to be among the top three service providers in each of our geographic regions and practice areas. With this level of market presence, we are less likely to be affected by downturns in regional economies. Top-three positioning also gives us increased opportunities to work for the best clients, obtain the best projects, and attract and retain the best employees in a region, and is important for building or maintaining the critical mass of staff needed to generate consistent performance and to support regional company infrastructure.

One metric we use to gauge our success with market penetration is staff numbers per population in a region. Generally, we estimate that to be among the top three service providers in any given location we require 100 or more employees serving a population of 1 million people. To date, we calculate that we have a mature market presence (100 or more employees per 1 million in population) in the following provinces and states: Alberta, British Columbia, Manitoba, Maine, New Brunswick, Nova Scotia, Saskatchewan, and Vermont.

RESULTS

Overall Performance

Highlights for 2007

By executing our business strategy in 2007, we generated strong results for the fiscal year as well as growth in gross revenue, net income, and earnings per share as follows:

	2007	2006	$ Change	% Change
	(In millions of Canadian dollars, except per share amounts)			
Gross revenue	954.6	816.1	138.5	17.0%
Net income	69.3	60.2	9.1	15.1%
Earnings per share – basic	1.52	1.34	0.18	13.4%
Earnings per share – diluted	1.50	1.31	0.19	14.5%
Cash flows from operating activities	87.5	93.4	(5.9)	n/m
Cash flows used in investing activities	(135.2)	(15.6)	(119.6)	n/m
Cash flows from (used in) financing activities	33.9	(77.4)	111.3	n/m

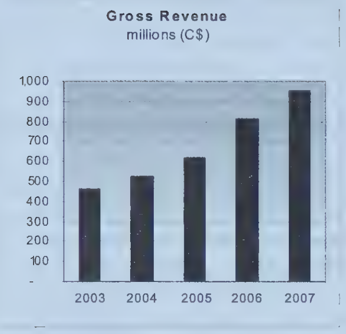
n/m = not meaningful

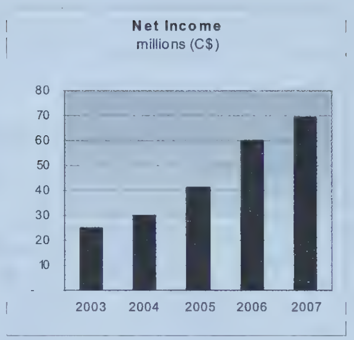
In our 2006 Management's Discussion and Analysis, we established various ranges of expected performance for 2007. The following table presents the results we achieved in 2007:

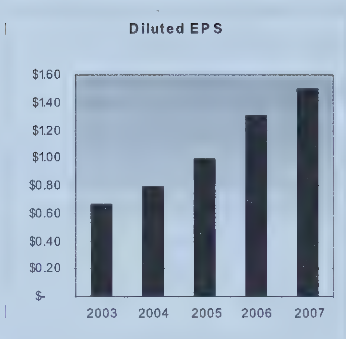
Measure	Expected Range	Result Achieved
Debt to equity ratio *(note1)*	At or below 0.5 to 1	0.19 ✓
Return on equity *(note 2)*	At or above 14%	16.4% ✓
Net income as % of net revenue	At or above 6%	8.3% ✓
Gross margin as % of net revenue	Between 55 and 57%	56.7% ✓
Administrative and marketing expenses as % of net revenue	Between 40 and 42%	42.3% ✗
Effective income tax rate	Between 32 and 34%	30.1% ✓✓

note 1: Debt to equity ratio is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, minus cash divided by (2) shareholders' equity.
note 2: Return on equity is calculated as net income for the year divided by average shareholders' equity over each of the last four quarters.
✓✓ Performed better than target
✓ Met target
✗ Did not meet target

In 2007 we met or performed better than our targets for all items except administrative and marketing expenses as a percentage of net revenue, which were 0.3% higher than expected. This variance is explained in the Administrative and Marketing Expenses section below.







The following highlights the major financial achievements and strategic activities that occurred in 2007, as well as other factors that contributed to our successful financial performance and strong overall financial condition:

- **A year of record results and continued growth.** In 2007 we posted record gross revenue, net income, and basic and diluted earnings per share.

    - Gross revenue for 2007 was $954.6 million compared to $816.1 million in 2006 and $618.0 million in 2005. This result is in line with our previous 10-year goal of achieving $1 billion in revenue in 2008. We expect to exceed this target in the current fiscal year.

    - Net income for 2007 was $69.3 million compared to $60.2 million in 2006 and $40.6 million in 2005.

    - Diluted earnings per share for 2007 were $1.50 compared to $1.31 in 2006 and $0.99 in 2005.

  The continuing strength of our results reflects the ability of our business model to adapt to changing market conditions throughout North America. During the year, weakness in the residential land market in the United States contributed to a decrease in year-over-year revenue (excluding acquisitions) in our Urban Land practice area compared to 2006. This decline was offset by an increase in organic revenue in our other practice areas, particularly our Industrial and Environment practice areas.

- **Growth through acquisitions.** Of the $138.5 million increase in gross revenue from 2006 to 2007, $109.1 million was due to acquisitions completed in 2006 and 2007. We completed 11 acquisitions in 2007.

- **Continued growth.** On January 2, 2008, we completed the acquisition of R.D. Zande and Rochester Signal, Inc. On February 1, 2008, we completed the acquisition of SII Holdings, Inc. (Secor). Together, these acquisitions add approximately 1,100 staff to our US operations and increase the depth of the service offerings in our Environment and Transportation practice areas.

- **Strong balance sheet.** Our balance sheet remains solid, with cash and cash equivalents of $14.2 million and a debt to equity ratio of 0.19. As at December 31, 2007, $106.5 million of our $160 million credit facility was available for future acquisitions, working capital needs, capital expenditures, and general corporate purposes. During the year, we also negotiated an extension of the due date of our credit facility to August 2010 and renewed our normal course issuer bid with the TSX. Subsequent to December 31, 2007, we were successful in increasing the limit of our credit facility from $160 million to $250 million to provide additional flexibility for continued growth.

- **Additions to leadership.** During the year, we announced the appointment of Mark Jackson to the new role of senior vice president and chief operating officer (COO). The COO role was created to oversee the day-to-day management of our operations and to assume the practice responsibilities previously held by our chief executive officer (CEO). This change allows our CEO to focus more time on acquisitions, investor relations, strategic planning, and overall Company leadership in executing our plan to be a top 10 global design firm. Mark, who previously was the practice area leader for our Environment practice area, graduated from the University of Waterloo in 1975 with a bachelor of applied science in civil engineering.

In 2007 Ivor Ruste joined the Company's board of directors. Mr. Ruste is currently the executive vice president and chief risk officer for EnCana Corporation headquartered in Calgary, Alberta. From 1998 to 2006, he was the managing partner of the Edmonton, Alberta, office of KPMG LLP, and just prior to joining EnCana, he served as the Alberta regional managing partner and vice chair of the KPMG Canadian board of directors.

- **Increased backlog.** Consolidated revenue backlog at the end of 2007 was $831 million compared to $685 million at the end of 2006 and $588 million at the end of 2005. The outlook for 2008 remains positive.

- **Strategic initiatives for 2018.** During the year, we continued to develop our 2018 strategic plan. Generally, we expect to continue growing our Company by expanding geographically and adding new or complementary practice areas. As we continue to evolve and mature, we will have a more significant presence outside North America. By 2018 we target to generate up to 20% of our revenue from international work.

Acquisitions

Total consideration for acquisition activity was $150.0 million in 2007 and $18.5 million in 2006. In 2007 we completed the following acquisitions:

- In March 2007, we acquired Nicolson Tamaki Architects Inc., which added 10 staff and supplemented our architecture services in British Columbia, Canada.

- In April 2007, we acquired Vollmer Associates LLP (Vollmer), which added over 600 staff, established a major presence in New York City, and strengthened our engineering, architecture, planning, landscape architecture, and survey services in the transportation sector in the US East.

- In April 2007, we acquired Land Use Consultants, Inc., adding approximately 20 staff to our existing office in Portland, Maine. This acquisition expanded our landscape architecture and planning services in our northern New England region.

- In May 2007, we acquired Geller DeVellis Inc., which added over 50 people to our New England operations and strengthened our landscape architecture, planning, and civil engineering design capabilities.

- In August 2007, we acquired Trico Engineering Consultants, Inc (Trico Engineering), adding approximately 130 staff. This acquisition complemented our presence in Charleston, South Carolina, expanded the depth of our services throughout the southeastern United States, and strengthened our civil engineering, surveying, landscape architecture, and planning capabilities.

- In September 2007, we acquired Chong Partners Architecture, Inc. (Chong Partners), which added approximately 175 staff. The acquisition of this firm, headquartered in San Francisco, California, with additional offices in Sacramento and San Diego, enhanced our modest existing architecture presence in the United States, particularly in California, and provided a foundation for further expansion of our US architecture practice.

- In October 2007, we acquired Woodlot Alternatives, Inc., which added approximately 65 staff to our Maine and New England operations. Woodlot Alternatives, Inc. specialized in natural resource assessment, permitting, and environmental engineering.

- In October 2007, we acquired Neill and Gunter, Incorporated; Neill and Gunter Limited; and Neill and Gunter (Nova Scotia) Limited (the Neill and Gunter companies), which added approximately 650 staff. The acquisition of these companies brought greater depth to our industrial practice, enhanced our operations in New England, and provided access to a new market in Atlantic Canada.

- In November 2007, we acquired Moore Paterson Architects Inc., adding 17 staff. This firm provided architecture, planning, and project management services on Vancouver Island and the Lower Mainland of British Columbia.

- In November 2007, we acquired Murphy Hilgers Architects Inc., Brentcliffe Financial Service Inc., and Dekko Studio Inc., which added approximately 55 staff. The acquisition of these firms expanded our

operations in Toronto, Ontario, and provided further depth to our expertise in designing health care, judicial, and retail/commercial facilities.

- In December 2007, we acquired Fuller, Mossbarger, Scott & May Engineers, Inc. (FMSM) and Leestown Leasing, L.L.C., which added 300 staff; created a presence in Kentucky, Ohio, Missouri, and Indiana; and brought a geotechnical engineering capability to our Company.

As a result of our investment in our enterprise management system in 2003 as well as subsequent enhancements, we were able to begin quickly integrating these acquisitions during 2007. We will continue our integration activities in 2008.

Selected Annual Information

We have demonstrated strong, sustainable financial growth in the last three years as highlighted in the trending of the annual information below:

	Selected Annual Information		
	2007	2006	2005
	(In millions of Canadian dollars, except per share and share amounts)		
Gross revenue (note 1)	954.6	816.1	618.0
Net income	69.3	60.2	40.6
Earnings per share – basic	1.52	1.34	1.02
Earnings per share – diluted	1.50	1.31	0.99
Cash dividends declared per common share	Nil	Nil	Nil
Total assets	813.6	634.5	628.8
Total long-term debt	96.1	16.2	86.7
Outstanding common shares – as at December 31	45,698,143	45,201,785	44,626,262
Outstanding common shares – as at February 20, 2008	45,637,125		
Outstanding share options – as at December 31	1,751,022	1,702,784	1,876,528
Outstanding share options – as at February 20, 2008	1,691,494		

note 1: The term gross revenue is defined in the Critical Accounting Estimates, Developments, and Measures section of this Management's Discussion and Analysis.
note 2: Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

The 11 acquisitions completed in 2007, the three completed in 2006, and the three completed in 2005 contributed to our year-over-year growth in gross revenue, net income, and basic and diluted earnings per share. As well, internal growth contributed $47.1 million to the $138.5 million increase in gross revenue in 2007 compared to 2006.

Balance Sheet. Our balance sheet remained strong in 2007 as shareholders' equity increased $31.8 million as further described in the Shareholders' Equity section below. Our total assets increased by $179.1 million from 2006 to 2007. This increase was mainly due to an increase of $81.4 million in goodwill, $65.0 million in accounts receivable and in costs and estimated earnings in excess of billings, $23.1 million in property and equipment, and $9.5 million in intangible assets. These items increased due to internal growth and growth from acquisitions during the year.

During the third quarter of 2007, we conducted our annual goodwill impairment review. The review concluded that there was no impairment of goodwill.

Our total assets increased by $5.7 million from 2005 to 2006. A $15.8 million decrease in current assets was offset by a $21.5 million increase in non-current assets. The decrease in current assets was mainly due to a reduction in restricted cash used to fund acquisitions in 2006, the repayment of acquired debt, and the payment of promissory notes for acquisitions completed in prior years. The increase in non-current assets was mainly due to an $8.8 million increase in goodwill and a $6.5 million increase in property and equipment resulting from internal growth and growth through acquisitions during the year.

Our total liabilities increased by $147.3 million from 2006 to 2007 mainly due to a $43.9 million increase in our revolving credit facility from $8.2 million at December 31, 2006, to $52.1 million at December 31, 2007, in order to

finance the acquisitions completed in 2007. In addition, accounts payable and accrued liabilities increased $47.9 million from 2006 to 2007 due to internal growth and growth through acquisitions during the year.

Our total liabilities decreased $57.2 million from 2005 to 2006 mainly due to the reduction of our revolving credit facility from $79.0 million at December 31, 2005, to $8.2 million at December 31, 2006. We were able to repay our credit facility from cash generated from operations during the year.

Results of Operations

Our Company operates in one reportable segment—Consulting Services. We provide knowledge-based solutions for infrastructure and facilities projects through value-added professional services principally under fee-for-service agreements with clients.

The following table summarizes our key operating results on a percentage of net revenue basis and the percentage increase in the dollar amount of these results from year to year:

	Percentage of Net Revenue			Percentage Increase*	
	2007	2006	2005	2007 vs. 2006	2006 vs. 2005
Gross revenue	114.9%	115.3%	117.8%	17.0%	32.1%
Net revenue	100.0%	100.0%	100.0%	17.4%	35.0%
Direct payroll costs	43.3%	43.0%	44.7%	18.2%	29.9%
Gross margin	56.7%	57.0%	55.3%	16.7%	39.1%
Administrative and marketing expenses	42.3%	41.3%	40.6%	20.3%	37.1%
Depreciation of property and equipment	2.3%	2.2%	2.4%	22.4%	26.0%
Amortization of intangible assets	0.5%	0.9%	0.5%	(39.3%)	141.2%
Net interest expense	0.2%	0.3%	0.1%	(15.8%)	231.3%
Share of income from associated companies	0.0%	(0.1%)	0.0%	50.0%	52.4%
Foreign exchange gains	(0.3%)	0.0%	(0.1%)	n/m	(83.5%)
Other income	(0.2%)	(0.2%)	(0.1%)	(20.0%)	319.8%
Income before income taxes	11.9%	12.6%	11.9%	10.9%	43.1%
Income taxes	3.6%	4.1%	4.2%	2.1%	33.7%
Net income	8.3%	8.5%	7.7%	15.1%	48.2%

** % increase calculated based on the dollar change from the comparable period*
n/m = not meaningful

Our gross and net revenue grew at a lower rate during 2007 than during 2006 mainly due to the smaller size of the acquisitions that occurred in the second half of 2005 and in the first two quarters of 2006. In particular, the acquisition of the Keith Companies, Inc. (Keith) completed in September 2005 added over 850 people to our Company. In 2007 administrative and marketing expenses grew at greater rates than the rate of growth in revenue as further explained in the Administrative and Marketing Expenses section below. This was offset by declines in the amortization of intangible assets and net interest expense, which are further explained in their respective sections.

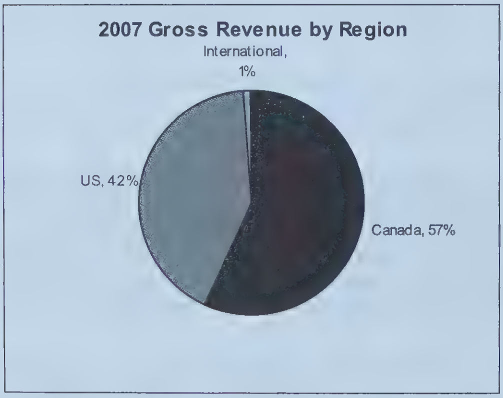
Gross and Net Revenue

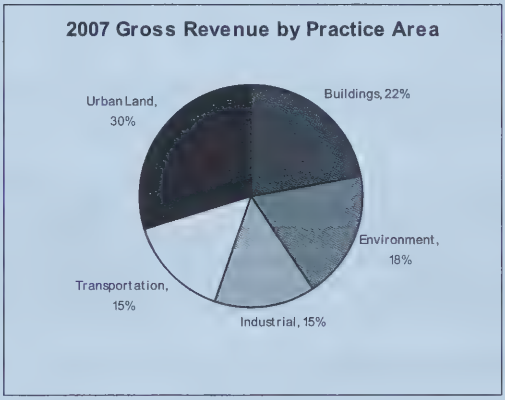
The following table summarizes the impact of acquisitions, internal growth, and foreign exchange on our gross and net revenue for 2007 compared to 2006 and for 2006 compared to 2005. For definitions of gross and net revenue, refer to the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section of this discussion and analysis. Revenue earned by acquired companies in the first 12 months after the acquisition is reported as revenue from acquisitions.

Gross Revenue	**2007 vs. 2006**	**2006 vs. 2005**
	(In millions of Canadian dollars)	
Increase (decrease) due to:		
Acquisitions growth	109.1	165.4
Internal growth	47.1	46.7
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(17.7)	(14.0)
Total increase over prior year	138.5	198.1

Net Revenue	**2007 vs. 2006**	**2006 vs. 2005**
	(In millions of Canadian dollars)	
Increase (decrease) due to:		
Acquisitions growth	92.0	148.7
Internal growth	46.5	46.8
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(15.5)	(12.2)
Total increase over prior year	123.0	183.3

Gross revenue earned in Canada during 2007 increased to $539.3 million from $461.3 million in 2006 and $380.5 million in 2005. Gross revenue generated in the United States in 2007 increased to $405.2 million compared to $348.0 million in 2006 and $233.4 million in 2005. Gross revenue earned outside Canada and the United States in 2007 was $10.1 million compared to $6.8 million in 2006 and $4.1 million in 2005. The increase in revenues in both our US- and Canadian-based operations was positively impacted by the acquisitions completed in 2007 and 2006.





The following table summarizes our gross revenue by practice area for 2007, 2006, and 2005:

Practice Area Gross Revenue	2007	% of Consulting Services Gross Revenue	% Change 2007 vs. 2006	2006	% of Consulting Services Gross Revenue	% Change 2006 vs. 2005	2005	% of Consulting Services Gross Revenue
	(millions of C$)			*(millions of C$)*			*(millions of C$)*	
Buildings	211.8	22.2%	15.0%	184.2	22.6%	25.0%	147.4	23.9%
Environment	175.9	18.4%	17.7%	149.4	18.3%	44.5%	103.4	16.7%
Industrial	139.0	14.6%	46.6%	94.8	11.6%	39.8%	67.8	11.0%
Transportation	143.1	15.0%	35.0%	106.0	13.0%	17.0%	90.6	14.6%
Urban Land	284.8	29.8%	1.1%	281.7	34.5%	34.9%	208.8	33.8%
Total Consulting Services	954.6	100.0%	17.0%	816.1	100.0%	32.1%	618.0	100.0%

As indicated above, our gross revenue was impacted by acquisitions, net internal growth, and the effect of foreign exchange rates on revenue earned by our foreign subsidiaries. The impact of these factors on gross revenue earned by practice area is summarized below:

	2007 Compared to 2006			
Practice Area Gross Revenue	**Total Change**	**Change Due to Acquisitions**	**Change Due to Internal Growth**	**Change Due to Foreign Exchange**
	(In millions of Canadian dollars)			
Buildings	27.6	17.2	11.7	(1.3)
Environment	26.5	13.1	17.5	(4.1)
Industrial	44.2	11.8	33.8	(1.4)
Transportation	37.1	35.8	4.2	(2.9)
Urban Land	3.1	31.2	(20.1)	(8.0)
Total Consulting Services	138.5	109.1	47.1	(17.7)

	2006 Compared to 2005			
	Total Change	**Change Due to Acquisitions**	**Change Due to Internal Growth**	**Change Due to Foreign Exchange**
	(In millions of Canadian dollars)			
Buildings	36.8	38.7	(0.3)	(1.6)
Environment	46.0	32.6	15.7	(2.3)
Industrial	27.0	8.9	19.9	(1.8)
Transportation	15.4	11.7	6.6	(2.9)
Urban Land	72.9	73.5	4.7	(5.3)
Total Consulting Services	198.1	165.4	46.6	(13.9)

The following summarizes the acquisitions completed from 2006 to 2007 that affected the acquisition growth of each of our practice areas:

- Buildings: Carinci Burt Rogers Engineering, Inc. (March 2006); Dufresne-Henry, Inc. (April 2006); Nicolson Tamaki Architects Inc. (March 2007); Vollmer Associates LLP (April 2007); Chong Partners Architecture, Inc. (September 2007); Neill and Gunter companies (October 2007); Moore Paterson Architects Inc. (November 2007); and Murphy Hilgers Architects Inc., Brentcliffe Financial Services Inc., and Dekko Studio Inc. (November 2007)

- Environment: Dufresne-Henry, Inc. (April 2006); Vollmer Associates LLP (April 2007); Trico Engineering Consultants Inc. (August 2007); Woodlot Alternatives, Inc. (October, 2007); and Neill and Gunter companies (October 2007)

- Industrial: Dufresne-Henry, Inc. (April 2006) and Neill and Gunter companies (October 2007)

- Transportation: Dufresne-Henry, Inc. (April 2006); ACEx Technologies, Inc. (May 2006); Vollmer Associates LLP (April 2007); and Neill and Gunter companies (October 2007)

- Urban Land: Dufresne-Henry, Inc. (April 2006); Vollmer Associates LLP (April 2007); Land Use Consultants, Inc. (April 2007); Geller DeVellis Inc. (May 2007); and Trico Engineering Consultants Inc. (August 2007)

All of our practice areas generate a portion of their gross revenue in the United States. The strengthening of the Canadian dollar against the US dollar in 2007 compared to 2006 and in 2006 compared to 2005 had a negative impact on the change in gross revenue by practice area year over year. The average exchange rate for the Canadian dollar relative to the US dollar increased by approximately 5.7% from 2006 to 2007 (US$0.88 to US$0.93) and by 6.0% from 2005 to 2006 (US$0.83 to US$0.88).

2007 versus 2006

Buildings. Gross revenue for the Buildings practice area grew by 15.0% from 2006 to 2007. Of the $27.6 million increase in gross revenue in 2007, $17.2 million was due to acquisitions, and $11.7 million was due to internal growth, offset by a foreign exchange impact of $1.3 million. This year was, historically, the strongest year for the Buildings practice area as it continued to secure significant projects and to experience consistently high project volumes. Activity was especially strong in western Canada in both the public and private sectors. For example, in 2007 we secured a contract to provide architecture; planning; landscape architecture; and structural, mechanical, electrical, civil, and transportation engineering services for the development of a 16.2-hectare (40-acre) greenfield site for a new 300-bed acute care hospital in Grand Prairie, Alberta. We also completed an award-winning design of an expansion of the Vancouver International Airport in British Columbia. With a growing presence and project volumes in the United States, we were awarded an assignment to provide design solutions for a renovation of the Sheraton New York Hotel and Towers in New York City. To assist in meeting increased demand for staff, the practice area continued to make use of work-sharing initiatives across the Company in 2007.

We believe that the outlook for our Buildings practice area remains optimistic. With top-tier architecture and buildings engineering practices in Canada, we expect to enhance our architecture presence in the United States, particularly in California, through the integration of Chong. We also expect this acquisition to be a catalyst for future expansion of our US operations in both architecture and buildings engineering.

Environment. Gross revenue for the Environment practice area grew by 17.7% from 2006 to 2007. Of the $26.5 million increase in gross revenue in 2007, $13.1 million was due to acquisitions, and $17.5 million was due to internal growth, offset by a foreign exchange impact of $4.1 million. The strength demonstrated by the Environment practice area in 2007 was primarily due to the strong economy in western Canada, the procurement of additional work in the public sector in eastern Canada, and development as a top-tier provider of environmental infrastructure expertise in certain areas of Canada and the United States, which gave us the ability to secure larger and more complex projects. For example, in 2007 we completed the design work for the Seymour-Capilano Water Filtration Plant in North Vancouver, British Columbia, which will be the largest greenfield water treatment facility in North

America. The project has achieved Leadership in Energy and Environmental Design Gold certification. During the year, the practice area also continued to improve its operating effectiveness in the US East in terms of client selection, project management, and sales efficiency. Continuing concerns in the US West about the inadequacy of existing water supplies due to drought conditions, as well as legal and regulatory activities, translated into new projects in the areas of water supply master planning and water supply facility development, including groundwater, surface water, and recycled water systems.

As backlog continues to grow, the outlook for this practice area for 2008 remains optimistic. With the acquisition of Woodlot Alternatives, Inc. and FMSM in 2007 and of R.D. Zande in January 2008, we established a top-tier presence in the US East in ecosystem restoration capabilities, permitting and compliance for energy projects, integrated watershed management, and urban wet weather infrastructure engineering. The integration of FMSM also brings a new practice in geotechnical engineering specializing in complex subsurface investigation, bridge foundation analysis, and dam and levee design for clients such as the U.S. Army Corps of Engineers. In addition, we believe that opportunities for this practice area will remain positive into 2008 due to the continuing need to rehabilitate or replace aging and inadequate infrastructure, population growth in the United States, and the ongoing regulation of communities' wet weather storm discharges.

Industrial. Gross revenue for the Industrial practice area grew by 46.6% from 2006 to 2007. Of the $44.2 million increase in gross revenue in 2007, $11.8 million was due to acquisitions, and $33.8 million was due to internal growth, offset by a foreign exchange impact of $1.4 million. The strong internal growth was primarily due to projects secured as a result of the strong economy in Canada, especially in western Canada. In 2007 the Industrial practice area continued to provide services for the development of facilities and infrastructure in support of major projects in British Columbia and Alberta. For example, we continued to work with an international pipeline company, providing engineering design services for major tank terminal facilities. We also secured an assignment to develop facilities and infrastructure for the Athabasca Upgrader in northern Alberta for Total E&P Canada Ltd. In addition, we were selected as one of six firms to complete various projects for the Department of National Defence across Canada over the next five years. This agreement is starting to translate into assignments for our Company. For example, in Q4 07 we secured an assignment to complete the preliminary design and planning of the C-17 hanger at Canadian Forces Base Trenton in Ontario. The revenue from our bio/pharmaceuticals practice continued to grow in 2007 as we completed our work on the development of a world-class oral solid dosage manufacturing facility for Wyeth Pharmaceuticals in Puerto Rico.

We expect the growth in revenue for our Industrial practice area to continue into 2008 as we integrate approximately 650 staff from the Neill and Gunter companies. With the addition of these companies, we believe that the practice area will become a stronger player in the power sector and be better positioned to take on larger projects. The practice area continues to market its expertise to capture more projects in the power transmission and distribution sector as well as opportunities that may arise from an expected increase in construction activity related to the focus on renewable and sustainable energy initiatives (i.e., ethanol, biomass, wind, and solar energy) in North America. The practice area also continues to position itself in the energy and resources sector by pursuing more of the support facilities and infrastructure segment of projects. In addition, given the aging population in North America, we remain optimistic for continued opportunities in the biopharmaceutical sector. Competition for qualified staff, especially in western Canada, is expected to continue into 2008.

Transportation. Gross revenue for the Transportation practice area grew by 35.0% from 2006 to 2007. Of the $37.1 million increase in gross revenue in 2007, $35.8 million was due to acquisitions, and $4.2 million was due to internal growth, offset by a foreign exchange impact of $2.9 million. Through acquisitions and internal growth, our Transportation practice area established a more significant presence in the US East in 2007. In particular, the acquisition of Vollmer in Q2 07 assisted our US East operations in securing new projects during the year. Partly fueled by public concern over infrastructure deficiencies, funding for transportation projects remained strong at all levels of government in 2007, which continued to translate into contracts for our Company. For example, during the year, we secured assignments to provide system integration analysis and planning services for several light rail transit projects in the southern United States. Highlights for our Canadian operations in 2007 were the completion of the southeast leg of Anthony Henday Drive—Edmonton, Alberta's ring road—and of improvements to the TransCanada Highway through the challenging terrain of Kicking Horse Canyon in British Columbia. Although some projects have been delayed due to increases in construction costs, the outlook for our Transportation practice area remains positive for 2008.

Urban Land. Gross revenue for the Urban Land practice area grew by 1.1% from 2006 to 2007. Of the $3.1 million increase in gross revenue in 2007, $31.2 million was due to acquisitions, offset by a foreign exchange impact of $8.0 million and a decline in revenue from internal growth of $20.1 million. We offer urban land services primarily in three core regions—Alberta and Ontario in Canada and California in the United States—and these operations accounted

for approximately 68.8% of our urban land business in 2007. In addition, we have a modest urban land presence in Arizona, Nevada, Utah, Colorado, North Carolina, and Georgia and a small presence in other Canadian markets. Our recent acquisitions in the US Northeast have increased our presence in New England and the Tri-State (New York, New Jersey, and Connecticut) area, and the addition of Trico has strengthened our presence in the southeastern United States and expanded our services further into the coastal areas of the Carolinas.

Revenue for the Urban Land practice area in 2007 was impacted by a decline in housing starts in various parts of the United States, particularly California, offset by an increase in starts in Alberta, Canada. Single-family housing starts in the United States declined in 2007 to the lowest level in the last 15 years. Although acquisitions in 2007 added employees to the practice area, certain of our urban land operations in the United States decreased their staff levels during the year in reaction to the market conditions, resulting in less revenue generated from these operations in 2007 compared to 2006.

The National Association of Home Builders in the United States forecasts that US single-family housing starts will continue to decline in 2008. To mitigate the impact of this decline in activity, we continue to take advantage of work-sharing opportunities by using US-based staff to complete Canadian projects. In addition, we will continue to monitor our short-term backlog and manage our staff levels to match the amount of work available.

2006 versus 2005

Buildings. Gross revenue for the Buildings practice area grew by 25.0% from 2005 to 2006. Of the $36.8 million increase in gross revenue in 2006, $38.7 million was due to acquisitions, offset by a decline in internal growth of $0.3 million and a foreign exchange impact of $1.6 million. In 2006 the Buildings practice area continued to secure larger projects and to experience higher project volumes. In particular, the practice area was very active in western Canada, resulting in a strong backlog. For example, in Q3 06 we secured a multimillion-dollar contract to provide mechanical, electrical, and civil engineering services for the development of an acute care hospital facility—the Legacy project—in Vancouver, British Columbia. In addition, in 2006 we were awarded a multimillion-dollar contract to design a three-module, campus-style facility for a banking institution in Calgary, Alberta. To assist in meeting increased demand for services in 2006, the practice area made use of work-sharing initiatives across the Company.

Environment. Gross revenue for the Environment practice area grew by 44.5% from 2005 to 2006. Of the $46.0 million increase in gross revenue in 2006, $32.6 million was due to acquisitions, and $15.7 million was due to internal growth, offset by a foreign exchange impact of $2.3 million. The Environment practice area remained strong due to larger projects, higher labor utilization rates, and the strong economy in western Canada.

Industrial. Gross revenue for the Industrial practice area grew by 39.8% from 2005 to 2006. Of the $27.0 million increase in gross revenue in 2006, $8.9 million was due to acquisitions, and $19.9 million was due to internal growth, offset by a foreign exchange impact of $1.8 million. The revenue earned from the industrial practice acquired from the Keith acquisition accounted for $8.1 million of the acquisition growth. The internal growth in 2006 was primarily due to securing projects in the oil sands sector in western Canada. For example, in 2006 we completed a multimillion-dollar contract to provide services for the development of facilities and infrastructure for the Fort Hills Oil Sands project in northern Alberta.

Transportation. Gross revenue for the Transportation practice area grew by 17.0% from 2005 to 2006. Of the $15.4 million increase in gross revenue in 2006, $11.7 million was due to acquisitions, and $6.6 million was due to internal growth, offset by a foreign exchange impact of $2.9 million. The implementation of the six-year, US$286.4 billion Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) signed on August 10, 2005, increased the funds available for transportation projects, which started to translate into contracts for our Company in 2006. For example, during the year, we renewed a five-year, $11 million contract with the U.S. Department of Transportation to conduct long-term pavement performance studies.

Urban Land. Gross revenue for the Urban Land practice area grew by 34.9% from 2005 to 2006. Of the $72.9 million increase in gross revenue in 2006, $73.5 million was due to acquisitions, and $4.7 million was due to internal growth, offset by a foreign exchange impact of $5.3 million. The Keith and Dufresne-Henry, Inc. acquisitions increased our presence in the urban land market in the United States. During 2006, we offered urban land services primarily in Alberta, southern Ontario, and California and had a more modest presence in Arizona, Nevada, Utah, Colorado, North Carolina, and Florida and a small presence in other Canadian and eastern US markets. Our three core regions, which accounted for approximately 75% of our business, were stable or experienced moderate declines in housing starts. Due to our strong market position in these regions, the overall performance of our Urban Land practice area was strong in 2006.

Gross Margin

For a definition of gross margin, refer to the Definition of Non-GAAP Measures in the Critical Accounting Estimates, Developments, and Measures section below. Gross margin decreased to 56.7% in 2007 from 57.0% in 2006 and increased from 55.3% in 2005 to 57.0% in 2006. Our gross margin for 2007 fell within the anticipated range of 55 to 57% set out in our 2006 Annual Report. Fluctuations in gross margin from year to year depend on the mix of projects in progress during any year. These fluctuations reflect the nature of our business model, which is based on diversifying our operations across geographic regions, practice areas, and all phases of the infrastructure and facilities project life cycle. In addition, the decline in our gross margin percentage from 2006 to 2007 was partially due to an increase in the revenue earned by the Transportation practice area in the United States compared to Canada. Gross margins on transportation projects in the United States are typically lower than gross margins on transportation projects in Canada.

The increase in our gross margin percentage from 2005 to 2006 was due to

- Improved markets for our services with corresponding increases in fee rates
- Improved project management through enhanced staff training and support systems. This improvement was achieved through the expansion of our on-line Learning Resource Center during 2006 with updated content and in-house programs and training in project and financial management.
- The implementation of an improved system for invoicing project-related administrative costs in 2005. Following this implementation, we continued to reflect these recoveries as part of revenue, but we now report the costs in administrative and marketing expenses. This contributed to both the increased gross margin and the increased administrative and marketing expenses in 2006.

The following table summarizes our gross margin percentages by practice area for 2007, 2006, and 2005:

Practice Area Gross Margin	2007	2006	2005
Buildings	57.7%	57.3%	55.9%
Environment	58.4%	58.1%	56.6%
Industrial	51.2%	50.4%	49.2%
Transportation	53.8%	55.7%	56.1%
Urban Land	58.5%	58.6%	56.1%

Our gross margin percentages improved in all practice areas with the exception of a decline in the Transportation practice area from 2005 to 2007 and a decline in the Urban Land practice area from 2006 to 2007. These decreases can be attributed to the same factors discussed above about the overall decline in our gross margin percentage in 2007.

Administrative and Marketing Expenses

Our administrative and marketing expenses increased $59.3 million from 2006 to 2007. As a percentage of net revenue, our administrative and marketing expenses were 42.3% in 2007 compared to 41.3% in 2006, slightly above our expected range of 40 to 42%. The increase was mainly due to integration activities during the year. In the months following the completion of an acquisition, there can be an increase in staff time charged to administration and marketing due to systems integration and the orientation and integration of newly acquired staff. In 2007 we integrated staff from the 11 acquisitions completed during the year. The largest acquisitions completed in 2007 were of the Neill and Gunter companies, with 650 employees, and Vollmer, with 600 employees. Administrative and marketing expenses were also affected by the following:

- A $7.6 million increase in bad debt expense in 2007 compared to 2006. Our allowance for doubtful accounts is an estimate that is subject to measurement uncertainty. We adjust the provision quarterly based on historical experience.

- An increase in the accrual of performance and retention bonuses arising from acquisitions to $5.2 million in 2007 from $3.2 million in 2006

Administrative and marketing expenses as a percentage of net revenue were 41.3% in 2006 compared to 40.6% in 2005. This increase was mainly due to $3.2 million of performance and retention bonuses arising from acquisitions completed in 2006 and prior years. As well, when we implemented an improved system for invoicing project-related administrative costs in 2005, we continued to reflect these recoveries as part of revenue, but we now report the costs in administrative and marketing expenses. This change in reporting has contributed to both our increased gross margin percentage and increased administrative and marketing expenses in 2006. The 41.3% in 2006 was within the expected range of 40 to 42% set out in our 2005 Annual Report.

Our administrative and marketing expenses may fluctuate from year to year as a result of the amount of non-billable staff time allocated to administration and marketing, which is influenced by the ratio of work carried out on proposals and other non-billable administrative and marketing activities during the year.

Depreciation of Property and Equipment

Depreciation of property and equipment as a percentage of net revenue was 2.3% in 2007, 2.2% in 2006, and 2.4% in 2005. The $3.4 million increase in depreciation from 2006 to 2007 and the $3.2 million increase in depreciation from 2005 to 2006 were primarily due to the addition of property and equipment from acquisitions made in the year.

Amortization of Intangible Assets

The timing of completed acquisitions, the size of acquisitions, and the type of intangible assets acquired affect the amount of amortization of intangible assets in each year. Client relationships and other intangible assets are amortized over estimated useful lives ranging from 10 to 15 years, whereas contract backlog is amortized over an estimated useful life of generally less than one and a half years. As a result, the impact of the amortization of contract backlog can be significant in the two to six quarters following an acquisition. The following table summarizes the amortization of identifiable intangible assets:

	2007	2006	2005
	(In thousands of Canadian dollars)		
Amortization of client relationships	2,384	2,401	1,050
Amortization of backlog	974	3,508	1,349
Other	344	223	143
Total amortization of intangible assets	3,702	6,132	2,542

The decrease of $2.4 million between 2006 and 2007 was primarily due to the backlog balances of Keen Engineering Co. Ltd. (Keen) and CPV Group Architects & Engineers Ltd. (CPV) being fully amortized at the end of 2006 and to the backlog balances of Keith being fully amortized at the beginning of Q2 07. During 2007, $16.1 million in intangible assets was established as a result of the 11 acquisitions completed in the year, of which $1.0 million was amortized in 2007.

The increase of $3.6 million between 2005 and 2006 was primarily due to the intangible assets acquired from the Keith, Keen, and CPV acquisitions in September and October of 2005. Of the $6.1 million amortized in 2006, $4.1 million was related to the Keith acquisition.

Net Interest Expense

The $298,000 decrease in net interest expense in 2007 compared to 2006 was a result of our long-term debt position throughout the second, third, and most of the fourth quarter of 2007 being lower than in 2006, offset by higher interest rates in the first three quarters of 2007 compared to the same period in 2006. Near the end of the fourth quarter of 2007, our long-term debt position exceeded our 2006 position since we accessed our revolving credit facility to finance acquisitions. At December 31, 2006, we had used $8.2 million of our credit facility, and at December 31, 2007, we had used $52.1 million. Depending on the form under which the credit facility is accessed and certain financial covenant calculations, rates of interest may vary among Canadian prime, US base rate, or LIBOR or bankers' acceptance rates plus 65 or 85 basis points. Our average interest rate was 5.51% at December

31, 2007, compared to 6.0% at December 31, 2006. We estimate that, based on our loan balance at December 31, 2007, a 1% change in interest rates would impact our annual earnings per share by less than $0.01.

The increase of $1.3 million in net interest expense in 2006 compared to 2005 was a result of our long-term debt balance throughout the first two quarters of 2006 being higher than in the same period in 2005 and the prevailing interest rates in 2006 being higher than in 2005. Near the end of the third quarter of 2005, we accessed our revolving credit facility to finance the Keith acquisition. In 2006 we repaid our credit facility using cash generated from operations. Our average interest rate was 6.0% at December 31, 2006, compared to 4.34% at December 31, 2005.

Foreign Exchange Gains

We reported a foreign exchange gain of $2.5 million in 2007 compared to $0.1 million in 2006 and $0.4 million in 2005. These foreign exchange gains arose on the translation of the foreign-denominated assets and liabilities held in our Canadian companies and in our non-US-based foreign subsidiaries. We minimize our exposure to foreign exchange fluctuations by matching US-dollar assets with US-dollar liabilities and, when appropriate, by entering into forward contracts to buy or sell US dollars in exchange for Canadian dollars.

The exchange gains reported from 2005 to 2007 arose on transactions related to the financing of acquisitions. By entering into these transactions, there was a period when our US-dollar-denominated liabilities exceeded our US-dollar-denominated assets while the Canadian dollar strengthened, resulting in exchange gains. In 2007 the exchange rate rose from US$0.86 at the beginning of the year to US$1.01 at the end of the year.

As at December 31, 2007, we had entered into a foreign currency forward contract that provided for the purchase of US$34.1 million on January 24, 2008, at the rate of 0.9804 per US dollar. The fair value of this contract, estimated using market rates at December 31, 2007, was a gain of $0.4 million.

Income Taxes

Our effective income tax rate for 2007 was 30.1% compared to 32.7% for 2006 and 35.0% for 2005. Our 2007 effective tax rate fell below the expected range of 32.0 to 34.0% set out in our 2006 Management's Discussion and Analysis. We review our estimated income tax rate quarterly and adjust it based on changes in statutory rates in the jurisdictions in which we operate as well as on our estimated earnings in each of these jurisdictions. Based on these factors, in Q3 07 we estimated that our effective tax rate would be 33%. During Q4 07, the following items reduced our effective rate to 30.1% for the year:

- We earned more income in Canada than anticipated, and after deducting internal financing costs, we incurred losses in our US-based subsidiaries. Since our Canadian income is taxed at lower income tax rates than income earned in the United States, the impact of this shift in income reduced our overall effective tax rate.

- In 2006 the Quebec government enacted Bill 15 to amend the Quebec Taxation Act, legislation that retroactively eliminated the benefit of certain financing trust arrangements. Subsequent to year-end, we accepted a compliance proposal from the Canadian Revenue Agency related to this retroactive legislation. This proposal resulted in a reduction of approximately $662,000 of tax, which we recorded as an additional expense in 2006.

- Income tax rate reductions were enacted in certain of our tax jurisdictions. Since we were in a net future income tax liability position in these jurisdictions, these reductions in carrying value resulted in a recovery of future taxes.

Our effective tax rate for 2006 was 32.7% compared to 35.0% for 2005. As a result of the Quebec government enacting Bill 15 as described above, we recorded an additional $1.0 million of income tax expense in Q2 06. The impact of this increase was offset by the relative amount of income earned in our low tax rate jurisdictions, resulting in an effective income tax rate that was below the middle of our expected range for 2006.

Fourth Quarter Results and Quarterly Trends

The following is a summary of our quarterly operating results for the last two fiscal years:

Quarterly Operating Results
(In millions of Canadian dollars, except per share amounts)

	2007				2006			
	Dec 31	**Sep 30**	**Jun 30**	**Mar 31**	**Dec 31**	**Sep 30**	**Jun 30**	**Mar 31**
Gross revenue	258.3	235.3	244.7	216.3	211.8	210.2	208.8	185.3
Net revenue	215.9	207.0	215.7	192.3	180.6	182.0	182.2	163.1
Net income	19.0	17.4	17.5	15.4	15.6	16.5	16.7	11.4
EPS – basic	0.42	0.38	0.38	0.34	0.35	0.36	0.37	0.25
EPS – diluted	0.41	0.38	0.38	0.33	0.34	0.36	0.36	0.25

The quarterly earnings per share on a basic and diluted basis are not additive and may not equal the annual earnings per share reported. This is due to the effect of shares issued or repurchased during the year on the weighted average number of shares. Diluted earnings per share on a quarterly and annual basis are also affected by the change in the market price of our shares, since we do not include in dilution options whose exercise price is not in the money.

The following items impact the comparability of our quarterly results*:*

	Q4 07 vs. Q4 06	Q3 07 vs. Q3 06	Q2 07 vs. Q2 06	Q1 07 vs. Q1 06
	(In millions of Canadian dollars)			
Increase (decrease) in gross revenue due to:				
Acquisition growth	46.5	27.4	22.3	12.9
Internal growth	11.6	3.5	15.2	16.8
Impact of foreign exchange rates on revenue earned by foreign subsidiaries	(11.6)	(5.8)	(1.6)	1.3
Total increase in gross revenue	46.5	25.1	35.9	31.0

Fourth Quarter Results

As indicated in the tables above, during Q4 07, our gross revenue increased by $46.5 million, or 22.0%, to $258.3 million compared to $211.8 million for the same period in 2006. Approximately $46.5 million of this increase resulted from acquisitions completed in 2006 and 2007 and internal growth of $11.6 million, offset by a foreign exchange impact of $11.6 million due to the strengthening of the Canadian dollar during 2007.

The following table summarizes our key operating results for Q4 07 on a percentage of net revenue basis and the percentage increase in the dollar amount of these results compared to the same period last year:

	Quarter ended Dec 31		
	% of Net Revenue		% Increase*
	2007	2006	2007 vs. 2006
Gross revenue	119.6%	117.3%	22.0%
Net revenue	100.0%	100.0%	19.5%
Direct payroll costs	42.5%	41.7%	21.9%
Gross margin	57.5%	58.3%	17.8%
Administrative and marketing expenses	43.5%	43.4%	19.8%
Depreciation of property and equipment	2.7%	2.4%	39.5%
Amortization of intangible assets	0.5%	0.7%	(15.4%)
Net interest expense	0.4%	0.0%	n/m
Share of income from associated companies	(0.1%)	(0.1%)	0.0%
Foreign exchange gains	(0.5%)	0.0%	n/m
Other income	(0.1%)	(0.1%)	200.0%
Income before income taxes	11.1%	12.0%	10.6%
Income taxes	2.3%	3.4%	(18.0%)
Net income for the period	8.8%	8.6%	21.8%

* % increase calculated based on the dollar change from the comparable period

n/m = not meaningful

Net income during Q4 07 increased by $3.4 million, or 21.8 %, from the same period in 2006. Basic earnings per share in Q4 07 increased by $0.07, or 20.0%, compared to the same period in Q4 06. Net income during Q4 07 was positively affected by the growth in gross revenue and a $1.1 million decline in income tax expense. Our income tax expense in Q4 07 was positively impacted by the enacted reduction in income tax rates in certain of our tax jurisdictions and the recovery of income tax previously provided for as a result of the Quebec tax settlement. In addition, we earned more income in Canada than anticipated, and after deducting internal financing costs, we incurred losses in our US-based subsidiaries. Since our Canadian income is taxed at lower income tax rates than income earned in the United States, the impact of this shift in income reduced our overall effective tax rate.

Net income in Q4 07 compared to Q4 06 was negatively impacted by a $15.5 million increase in administrative and marketing expenses due to our focus on the integration of approximately 790 staff from the acquisition of Woodlot Alternatives, Inc., the Neill and Gunter companies, Moore Paterson Architects Inc., Murphy Hilgers Architects Inc., Brentcliffe Financial Services Inc., and Dekko Studio Inc. during the quarter and on the continued integration of staff added through acquisitions during the year. Acquired staff are required to learn new practices and processes and understand new systems, and such a learning curve can result in decreased productivity until the learning is complete. As well, depreciation increased $1.7 million in Q4 07 compared to Q4 06 due to the inclusion of property and equipment from companies acquired in the quarter and year to date.

Our gross margin percentage was 57.5% in Q4 07 compared to 58.3% in Q4 06. Because of the nature of our business model, which is based on diversifying our operations across geographic regions, practice areas, and all phases of the infrastructure and facilities project life cycle, there will continue to be fluctuations in our gross margin percentage from period to period depending on the mix of projects during any quarter.

The following table summarizes the growth in gross revenue by practice area in the fourth quarter of 2007 compared to the same period in 2006.

Practice Area Gross Revenue	2007	2006	Total Change	Change Due to Acquisitions	Change Due to Internal Growth	Change Due to Foreign Exchange
	Quarter Ended December 31					
	(In millions of Canadian dollars)					
Buildings	60.5	46.9	13.6	9.9	4.4	(0.7)
Environment	44.2	42.5	1.7	4.1	0.3	(2.7)
Industrial	45.3	27.6	17.7	11.4	7.3	(1.0)
Transportation	40.2	24.9	15.3	9.3	7.8	(1.8)
Urban Land	68.1	69.9	(1.8)	11.8	(8.2)	(5.4)
Total Consulting Services	258.3	211.8	46.5	46.5	11.6	(11.6)

The $11.6 million internal growth in revenue was net of a decline of $8.2 million in the Urban Land practice area. This practice area continued to be impacted by a decline in housing starts in various parts of the United States, particularly California. Although acquisitions in 2007 added employees to this practice area, certain of our urban land operations in the United States decreased their staff levels in Q4 07 in reaction to the weaker market conditions.

Quarterly Trends

During Q1 07, our gross revenue grew by $31.0 million, or 16.7%, to $216.3 million compared to $185.3 million for the same period in 2006. Approximately $12.9 million of this increase resulted from acquisitions completed in 2006, $16.8 million in internal growth, and a $1.3 million positive impact from foreign exchange due to the weaker Canadian dollar in Q1 07 compared to Q1 06. Net income increased by $4.0 million, or 35.1%, in Q1 07 compared to the same period in 2006, and basic earnings per share increased by $0.09 compared to the same period last year. The increase in net income was mainly due to our amortization of intangible assets and net interest expense being lower than in the same period in 2006. As well, our gross margin percentage was higher than anticipated due to the mix and type of projects completed during the quarter.

During Q2 07, our gross revenue increased by $35.9 million, or 17.2%, to $244.7 million compared to $208.8 million for the same period in 2006. Approximately $22.3 million of this increase resulted from acquisitions completed in 2006 and 2007 and $15.2 million in internal growth, offset by $1.6 million in foreign exchange due to the stronger Canadian dollar in Q2 07 compared to Q2 06. Net income increased by $0.8 million, or 4.8%, in Q2 07 compared to the same period in 2006, and basic earnings per share increased by $0.01 compared to the same period last year. Net income did not increase in line with net revenue due to an increase in administrative and marketing expenses in Q2 07 because of our focus on the integration of approximately 670 staff from the acquisition of Vollmer, Land Use Consultants, Inc., and Geller. In addition, we incurred $2.8 million in bad debt expense in Q2 07 compared to Q2 06 as a result of an adjustment to our provision based on historical experience. We also incurred a $2.2 million expense for self-insured professional liabilities claims in Q2 07 versus a $1.0 million recovery in Q2 06. Our claims expense fluctuates based on the results of actuarial reviews as well as the timing of the initiation and settlement of claims.

During Q3 07, our gross revenue increased by $25.1 million, or 11.9%, to $235.3 million compared to $210.2 million for the same period in 2006. Approximately $27.4 million of this increase resulted from acquisitions completed in 2006 and 2007 and $3.5 million in internal growth, offset by $5.8 million in foreign exchange due to the stronger Canadian dollar in Q3 07 compared to Q3 06. Net income increased by $0.9 million, or 5.5%, in Q3 07 compared to the same period in 2006, and basic earnings per share increased by $0.02 compared to the same period last year. As in Q2 07, net income did not increase in line with net revenue due to an increase in administrative and marketing expenses in Q3 07 due to our focus on the integration of approximately 300 staff from the acquisition of Trico Engineering and Chong Partners during the quarter and on the continued integration of more than 970 staff acquired year to date.

Liquidity and Capital Resources

The following table represents summarized working capital information as at December 31, 2007, compared to December 31, 2006:

	Dec 31, 2007	Dec 31, 2006	Change
	(In millions of Canadian dollars, except ratio)		
Current assets	323.2	264.6	58.6
Current liabilities	(232.7)	(159.7)	(73.0)
Working capital (note 1)	90.5	104.9	(14.4)
Current ratio	1.39	1.66	n/a

note 1: Working capital is calculated by subtracting current liabilities from current assets. Current ratio is calculated by dividing current assets by current liabilities.
note 2: Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

Our cash flows from operating, investing, and financing activities, as reflected in our consolidated statements of cash flows, are summarized in the following table:

	2007	2006	2005	$ Change 2007 vs. 2006	$ Change 2006 vs. 2005
		(In millions of Canadian dollars)			
Cash flows from operating activities	87.5	93.4	57.3	(5.9)	36.1
Cash flows used in investing activities	(135.2)	(15.6)	(114.6)	(119.6)	99.0
Cash flows from (used in) financing activities	33.9	(77.4)	47.9	111.3	(125.3)

Our liquidity needs can be met through a variety of sources, including cash generated from operations, long- and short-term borrowings from our $250 million credit facility, and the issuance of common shares. Our primary use of funds is for paying operational expenses, completing acquisitions, and sustaining capital spending on property and equipment.

We believe that internally generated cash flows, supplemented by borrowing from existing financing sources, if necessary, will be sufficient to cover our normal operating and capital expenditures and anticipated acquisition growth activities in 2008. We continue to manage according to our internal guideline of maintaining a debt to equity ratio of less than 0.5 to 1. Confidence in our ability to generate cash from operations was demonstrated by our success in negotiating an increase in the limit of our existing revolving credit facility from $160 to $250 million. As well, we believe that the design of our business model reduces the impact of changing market conditions on our operating cash flows. At this time, we do not reasonably expect any presently known trends or uncertainty to affect our ability to access our historical sources of cash. We do not invest in any asset-backed commercial paper and, therefore, do not consider that we are exposed to current uncertainties in the marketplace.

Working Capital

Our working capital at the end of 2007 was $90.5 million compared to $104.9 million in 2006. Current assets increased by $58.6 million, and current liabilities increased by $73.0 million. The increase in current assets was mainly due to a $41.1 million increase in accounts receivable, net of allowance for doubtful accounts, and a $23.9 million increase in costs and estimated earnings in excess of billings (work in progress). These increases resulted from internal growth and growth from acquisitions during the year and were partly offset by a $14.2 million decrease in cash and cash equivalents used for operating and acquisition purposes.

The $73.0 million increase in current liabilities from 2006 to 2007 was mainly due to a $47.9 million increase in accounts payable and accrued liabilities. This increase was the result of internal growth and growth from acquisitions

during the year. As well, the current portion of long-term debt increased by $17.4 million due to promissory notes used to finance various acquisitions coming due in 2008.

In 2006 our current ratio was higher than in 2007 mainly due to the availability of cash and cash equivalents, which was subsequently drawn down in 2007 for operating and acquisition purposes. As well, in 2006 there were fewer promissory notes from acquisitions becoming due within one year.

Cash Flows From Operating Activities

Our cash flows from operating activities decreased by $5.9 million in 2007 from 2006 and increased by $36.1 million from 2005 to 2006. Our cash flows from operating activities declined in 2007 due to a net decrease of $13.2 million in cash receipts from clients less cash paid to suppliers and employees. In 2006 cash receipts from clients less cash paid to suppliers and employees were high due to additional revenue generated by acquisitions completed in the second half of 2005. The successful integration of these acquisitions resulted in a reduction in our combined investment in accounts receivable and costs and estimated earnings in excess of billings from 101 days of revenue at the end of 2005 to 92 days at the end of 2006. In 2007 our combined investment in accounts receivable and costs and estimated earnings in excess of billings was 94 days of revenue.

Positively impacting our operating cash flows in 2007 was a $3.9 million decrease in income taxes paid in 2007 compared to 2006 due to a decrease in the income tax installments required in 2007.

Cash Flows Used In Investing Activities

Cash flows used in investing activities increased by $119.6 million from 2006 to 2007 and decreased by $99.0 million from 2005 to 2006. In 2007 we used $105.4 million to finance the 11 acquisitions completed during the year versus using $12.2 million in 2006 and $100.4 million in 2005. The use of cash and cash equivalents for acquisitions in 2006 was also offset by a drawdown of restricted cash acquired in connection with the Keith acquisition.

Our investment activities in 2007 compared to 2006 also included an $8.4 million increase in purchases of property and equipment. One factor that contributed to this increase was $8.1 million spent on improvements made to our Toronto, Ontario; Markham, Ontario; Vancouver, British Columbia; and Edmonton, Alberta, offices. Our 2006 investment activities increased compared to 2005 due to the use of $2.9 million for improvements to our offices in Vancouver, British Columbia, and Edmonton, Alberta.

As a professional services organization, we are not capital intensive. Our capital expenditures have historically been made primarily for property and equipment including such items as leasehold improvements, computer equipment and business information systems software, furniture, and other office and field equipment. Our cash outflows for property and equipment were $27.3 million, $18.9 million, and $17.0 million in each of 2007, 2006, and 2005, respectively. Our capital expenditures during 2007 were financed by cash flows from operations. We expect our total capital expenditures in 2008 to be in the range of $27 to $30 million, excluding capital acquired from acquisitions.

Cash Flows From (Used In) Financing Activities

Our cash flows from financing activities increased by $111.3 million from 2006 to 2007 and decreased by $125.3 million from 2005 to 2006. In 2007 we generated sufficient cash from our operations to reduce the amount outstanding on our credit facility by $78.5 million and repay $6.3 million of our acquired debt. However, during the year, we also accessed our credit facility for acquisition purposes. As at December 31, 2007, $106.5 million of our credit facility was available for future use. As well, we used $0.3 million to repurchase shares under our normal course issuer bid in 2007. The above use of cash was offset by $1.9 million generated from options exercised during the year.

In 2006 we generated sufficient cash from our operations to reduce the amount outstanding on our credit facility by $85.6 million and repay $1.8 million of our acquired debt. At December 31, 2006, $149.9 million of our credit facility was available for future use. As well, we used $1.0 million to repurchase shares under our normal course issuer bid in 2006. The above use of cash was offset by $1.9 million generated from options exercised during the year.

Our credit facility is available for acquisitions, working capital needs, capital expenditures, and general corporate purposes. Depending on the form under which the credit facility is accessed and certain financial covenant calculations, rates of interest will vary between Canadian prime, US base rate, or LIBOR or bankers' acceptance rates plus 65 or 85 basis points. The average interest rate on the amounts outstanding at December 31, 2007, was 5.51%. We are subject to financial and operating covenants related to our credit facility. Failure to meet the terms of

one or more of these covenants may constitute a default, potentially resulting in accelerated repayment of the debt obligation. We were in compliance with these covenants as at and throughout the year ended December 31, 2007.

Subsequent to December 31, 2007, we were successful in reaching an agreement with our lenders to increase our revolving credit facility from $160 million to $250 million as further described in the Subsequent Events section below.

Shareholders' Equity

Our shareholders' equity increased by $31.8 million in 2007 and by $62.8 million in 2006. The following table summarizes the reasons for these increases:

	2007	2006
	(In millions of Canadian dollars)	
Beginning shareholders' equity (before change in accounting policy)	410.9	348.1
Change in accounting policy	0.5	0.0
Beginning shareholders' equity	411.4	348.1
Net income for the year	69.3	60.2
Currency translation adjustments	(45.7)	0.7
Shares issued on acquisition	3.4	0.0
Recognition of fair value of stock-based compensation	2.1	1.6
Share options exercised for cash	1.9	1.9
Shares repurchased under normal course issuer bid	(0.3)	(1.0)
Other	0.6	(0.6)
Total change	31.3	62.8
Ending shareholders' equity	442.7	410.9

The change arising on the translation of our US-based subsidiaries in 2007 was $45.7 million compared to $0.7 million in 2006. The change in 2007 was due to the strengthening of the Canadian dollar—from US$0.86 to US$1.01—during the year. In 2006 the Canadian dollar was valued at US$0.86 at both the end and beginning of the year.

In 2007, under our Company's share option plan and as part of our incentive program, our Board of Directors granted 467,500 stock options to various officers and employees of the Company (471,000 options were granted in 2006). These options vest equally over a three-year period and have a contractual life of seven years from the grant date.

Our normal course issuer bid on the TSX was renewed in 2007 and allows us to repurchase up to 2,279,496 of our common shares. We continue to believe that, from time to time, the market price of our common shares does not fully reflect the value of our business or future business prospects and that, at such times, outstanding common shares are an attractive, appropriate, and desirable use of available Company funds. In 2007 we purchased 9,200 common shares at an average price of $31.91 per share for an aggregate price of $0.3 million. In 2006 we purchased 51,600 common shares at an average price of $19.69 per share for an aggregate price of $1.0 million.

In October 2007, we issued 96,925 of our common shares as part of the consideration for the purchase of the Neill and Gunter companies. The $3.4 million in consideration was based on the average of the closing price of our common shares on the TSX for five trading days around the acquisition date.

Other

Outstanding Share Data

As at December 31, 2007, there were 45,698,143 common shares and 1,751,022 share options outstanding. During the period of December 31, 2007, to February 20, 2008, 112,400 shares were repurchased under our normal course issuer bid; 47,862 share options were exercised; 11,666 share options were forfeited; and 3,520 common shares were issued upon the vesting of restricted shares issued on the Keith acquisition. As at February 20, 2008, there were 45,637,125 common shares and 1,691,494 share options outstanding.

Contractual Obligations

As part of our continuing operations, we enter into long-term contractual arrangements from time to time. The following table summarizes the contractual obligations due on our long-term debt, other liabilities, and operating lease commitments as of December 31, 2007:

	Payment Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
	(In millions of Canadian dollars)				
Long-term debt	96.1	21.6	74.3	0.1	0.1
Interest on debt	10.8	4.9	5.9	-	-
Other liabilities	3.2	0.5	-	-	2.7
Operating lease commitments	299.2	49.8	86.3	64.4	98.7
Total contractual obligations	409.3	76.8	166.5	64.5	101.5

For further information regarding the nature and repayment terms of our long-term debt, refer to the Cash Flows From Financing Activities section. Our operating lease commitments include obligations under office space rental agreements, and our other liabilities primarily include amounts payable under our deferred share unit plan.

Off-Balance Sheet Arrangements

As of December 31, 2007, we had off-balance sheet financial arrangements relating to letters of credit in the amount of $1.9 million that expire at various dates before October 2009. These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations.

In the normal course of business, we also provide indemnifications and, in very limited circumstances, surety bonds. These are often standard contractual terms and are provided to counterparties in transactions such as purchase and sale contracts for assets or shares, service agreements, and leasing transactions. In addition, we indemnify our directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. These indemnifications may require us to compensate the counterparty for costs incurred as a result of various events. The terms of these indemnification agreements will vary based on the contract, the nature of which prevents us from making a reasonable estimate of the maximum potential amount that could be required to pay counterparties. Historically, we have not made any significant payments under such indemnifications, and no amounts have been accrued in our consolidated financial statements with respect to these guarantees.

Market Risk

We are exposed to various market factors that can affect our performance, primarily with respect to currency and interest rates.

Currency. Because a significant portion of our revenue and expenses is generated or incurred in US dollars, we face the challenge of dealing with fluctuations in exchange rates. To the extent that US-dollar revenues are greater than US-dollar expenses in a strengthening US-dollar environment, we expect to see a positive impact on our income from operations. Conversely, to the extent that US-dollar revenues are greater than US-dollar expenses in a weakening US-dollar environment, we expect to see a negative impact. This exchange rate risk primarily reflects, on an annual basis, the impact of fluctuating exchange rates on the net difference between total US-dollar professional revenue and US-dollar expenses. Other exchange rate risk arises from the revenue and expenses generated or incurred by subsidiaries located outside Canada and the United States. Our income from operations will be impacted by exchange rate fluctuations used in translating these revenues and expenses. In addition, the impact of exchange rates on the balance sheet accounts of subsidiaries located outside Canada and the United States will affect our operating results. We also continue to be exposed to exchange rate risk for the US-dollar and other foreign currency-denominated balance sheet items carried by our Canadian, US, and international operations.

Interest Rate. Changes in interest rates also present a risk to our performance. Our credit facility carries a floating rate of interest. We estimate that, based on our balance at December 31, 2007, a 1% change in interest rates would impact our earnings per share by less than $0.01.

Related-Party Transactions

We have not entered into any related-party transactions as defined in Section 3840 of the Canadian Institute of Chartered Accountants (CICA) Handbook.

OUTLOOK

The following table summarizes our expectations for the coming year:

Measure	Expected Range
Debt to equity ratio *(note 1)*	At or below 0.5 to 1
Return on equity *(note 2)*	At or above 14%
Net income as % of net revenue	At or above 6%
Gross margin as % of net revenue	Between 55 and 57%
Administrative and marketing expenses as % of net revenue	Between 41.5 and 43.5%
Effective income tax rate	Between 29 and 31%

note 1: Debt to equity ratio is calculated as the sum of (1) long-term debt, including current portion, plus bank indebtedness, less cash divided by (2) shareholders' equity.
note 2: Return on equity is calculated as net income for the year divided by average shareholders' equity over each of the last four quarters.

We have revised our targets for our administrative and marketing expenses and for our effective income tax rate for 2008. Fluctuations in our actual performance occur due to the particular client and project mix achieved as well as the number of acquisitions completed in a year. Some targets, such as debt to equity ratio, could be impacted and potentially exceeded by completing an opportune larger acquisition that increases our debt level above our target for a period of time.

The infrastructure and facilities market in North America, our principal area of operation, is large and is estimated to generate over US$70 billion in revenue for our addressable market. The North American market is also diverse, consisting of many technical disciplines, practice areas, client types, and industries in both the private and public sectors. Overall, we expect the outlook for professional services in our key markets and practice areas to remain positive, with continuing robust private and public sector spending on the development of new and the rehabilitation of existing infrastructure. We base this expectation on a variety of factors as described below.

Canada

The outlook for Canada, particularly western Canada, remains strong for 2008. According to the Conference Board of Canada, the Canadian real gross domestic product (GDP) is expected to grow by 2.8% in 2008 and by 3.0% in 2009. We believe that the infrastructure gap will keep spending growth strong in the infrastructure and facilities industry, with 59% of Canada's infrastructure aging beyond the 40-year mark. The following factors are evidence of a positive Canadian outlook for 2008 in areas that directly impact infrastructure spending:

- High energy prices are spurring investment in the oil and gas construction segment in Canada. Much of this investment is in Alberta's oil sands, where spending is estimated to reach $150 billion in the next decade.
- Although the manufacturing industry was negatively affected by the rising Canadian dollar in the last two quarters of 2007, third quarter profit margins for the industry remained healthy at 6.5%. The rising Canadian dollar has supported increased investment in the machinery and equipment sector, which is expected to reach 7.8% in 2008 and to decline slightly to 6.9% in 2009. Both of these factors have helped to ease concerns about the outlook for the manufacturing industry in 2008 and the increased valuation of the Canadian dollar relative to the US dollar. In addition, the federal government's corporate income tax cuts and accelerated capital consumption allowances for manufacturers have helped to bolster confidence in the industry.

- Governments and the public are becoming increasingly aware of environmental issues as well as sustainable design and development. This awareness includes, for instance, an increased interest in the development of buildings and facilities that require less energy for operation and have a reduced ecological impact, as well as improvements to water, water distribution, and water treatment infrastructure. Recognition of the need for these initiatives has come at the federal level in the Canadian government's new "Building Canada" infrastructure investment plan, which supports infrastructure development with a focus on a cleaner environment and more prosperous communities. The British Columbia government has also announced a $14 billion plan aimed at expanding public transit systems in the province and reducing greenhouse gas emissions. Implementation of this plan is expected to be completed by 2020. It will expand the rapid transit lines in the Greater Vancouver Area and add high-capacity, energy-efficient, and clean-energy buses to transit systems in metropolitan areas across British Columbia. We believe that we are well positioned to capture opportunities in these areas, since we have developed expertise in delivering sustainable design services.

- Expenditures on electricity are expected to increase nationally as investments continue to be made in wind power and the development and maintenance of hydroelectric projects. For instance, the Ontario government has committed to replacing all coal-fired energy generation, which currently makes up 20% of the province's power, in the earliest practical time frame, which is forecasted to be in the next 10 years. Alternatives being proposed include the use of renewable supply methods, nuclear power generation, natural gas power generation, and conservation. The Ontario government has also proposed undertaking a number of transmission projects to strengthen its transmission system and accommodate its power generation goals.

- According to the Canadian Mortgage and Housing Corporation, housing starts are expected to decrease in 2008 but to remain strong by historical standards. Single detached home starts are expected to decrease by 8.1% to 107,500 units, while all residential construction home starts will stay above 200,000 units for the seventh consecutive year.

- The Canadian government's new Building Canada infrastructure plan, announced in 2007, is to provide a long-term investment of $33.0 billion in infrastructure. The program outlines a seven-year plan for infrastructure spending in the areas of transportation, gateways and border crossings, connectivity and broadband technology, water and wastewater, solid waste management, renewable energy, disaster mitigation, brownfield redevelopment, and sports and culture.

United States

The general outlook for the United States is less optimistic due to the declining housing market and the slowdown of the economy. The Congressional Budget Office anticipates in its Budget and Economic Outlook that the US GDP will grow by 1.7% in 2008 due to slower consumer spending brought on by higher energy prices, weak consumer confidence, and higher debt levels. In 2009, with a recovering housing market and strong exports, US GDP growth is expected to strengthen to 2.8%. The following factors support our outlook for 2008:

- The manufacturing industry is expected to be weaker in 2008 as consumer spending decreases and job losses affect the industry. This weakness may be mitigated in part by the expected double-digit growth of US exports due to the weaker US dollar. Although industrial output does appear to be slowing, there are still companies that need to expand their warehousing and manufacturing facilities.

- The implementation of the six-year, US$286.4 billion SAFETEA-LU, which was passed into law on August 10, 2005, continues to support transportation projects.

- The housing market is forecasted to continue to decline in 2008, with seasonally adjusted annual rates of single-family housing starts expected to bottom out at around 780,000 units. This decline is expected to be moderate, and the market is forecasted to begin showing positive growth in 2009. We continue to have a strong market position in the regions we service; however, in 2008 we will continue to monitor our short-term backlog and manage our staff levels to match the amount of work available.

Supported by this overall market outlook for our practice areas, we plan to continue to grow our operations through a combination of internal organic growth and acquisitions. We continue to target to achieve a long-term average annual compound growth rate of 15 to 20% for gross revenue—a target we have realized since our initial public offering in 1994. Continued growth allows us to enhance the depth of our expertise, broaden our service offerings,

provide expanded opportunities for our employees, and lever our information technology and other "back office" systems. Our ability to grow at this rate depends on the availability of acquisition opportunities. To date, locating available acquisition candidates has not been an issue, and we do not expect it to become one since our industry is made up of many small to midsize firms and there is a consolidation trend occurring as smaller firms desire to join larger, more stable organizations. Because it is important to find an appropriate cultural fit and complementary services, the process of courting an acquisition can extend over months or even years. Consequently, at any one time we are engaged in discussions with as many as 30 or more firms.

We expect to support our targeted level of growth using a combination of cash flows from operations and additional financing.

CRITICAL ACCOUNTING ESTIMATES, DEVELOPMENTS, AND MEASURES

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with Canadian GAAP, which require us to make various estimates and assumptions. The notes to our December 31, 2007, consolidated financial statements outline our significant accounting estimates. The accounting estimates discussed below are considered particularly important because they require the most difficult, subjective, and complex management judgments. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome.

Unless otherwise specified in our discussion of specific critical accounting estimates, we expect no material changes in overall financial performance and financial statement line items to arise either from reasonably likely changes in material assumptions underlying an estimate or within a valid range of estimates from which the recorded estimate was selected. In addition, we are not aware of trends, commitments, events, or uncertainties that can reasonably be expected to materially affect the methodology or assumptions associated with our critical accounting estimates, subject to items identified in the Caution Regarding Forward-Looking Statements and Risk Factors sections of this discussion and analysis.

Revenue and Cost Recognition Estimates on Contracts. Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized using the percentage of completion method based on the ratio of contract costs incurred to total estimated contract costs. We believe that costs incurred are the best available measure of progress toward completion of these contracts. Estimating total direct contract costs is subjective and requires the use of our best judgments based upon the information we have available at that point in time. Our estimate of total direct contract costs has a direct impact on the revenue we recognize. If our current estimates of total direct contract costs turn out to be higher or lower than our previous estimates, we would have over- or underrecognized revenue for the previous period. We also provide for estimated losses on incomplete contracts in the period in which such losses are determined. Changes in our estimates are reflected in the period in which they are made and would affect our revenue and cost and estimated earnings in excess of billings.

Goodwill. Goodwill is assessed for impairment at least annually. This assessment includes a comparison of the carrying value of the reporting unit to the estimated fair value to ensure that the fair value is greater than the carrying value. We arrive at the estimated fair value of a reporting unit using valuation methods such as discounted cash flow analysis. These valuation methods employ a variety of assumptions, including revenue growth rates, expected operating income, discount rates, and earnings multiples. Estimating the fair value of a reporting unit is a subjective process and requires the use of our best judgments. If our estimates or assumptions change from those used in our current valuation, we may be required to recognize an impairment loss in future periods, which would decrease our goodwill assets and increase our reported expenses.

Provision for Doubtful Accounts. We use estimates in determining our allowance for doubtful accounts related to trade receivables. These estimates are based on our best assessment of the collectibility of the related receivable balance based, in part, on the age of the specific receivable balance. A provision is established when the likelihood of collecting the account has significantly diminished. Future collections of receivables that differ from our current estimates would affect the results of our operations in future periods as well as our accounts receivable and general and administrative expenses.

Self-Insured Liabilities. We self-insure certain risks, including professional liability and automobile liability. The accrual for self-insured liabilities includes estimates of the costs of reported claims and is based on estimates of loss

using our assumptions, including consideration of actuarial projections. These estimates of loss are derived from loss history that is then subjected to actuarial techniques in the determination of the proposed liability. Estimates of loss may vary from those used in the actuarial projections and may result in a larger loss than estimated. Any increase in loss would be recognized in the period in which the loss is determined and would increase our self-insured liability and reported expenses.

Income Taxes. Our income tax assets and liabilities are based on interpretations of income tax legislation across various jurisdictions in Canada and the United States. Our effective tax rate can change from year to year based on the mix of income among different jurisdictions, changes in tax laws in these jurisdictions, and changes in the estimated value of future tax assets and liabilities. Our income tax expense reflects an estimate of the cash taxes we expect to pay for the current year, as well as a provision for changes arising in the values of future tax assets and liabilities during the year. The tax value of these assets and liabilities is impacted by factors such as accounting estimates inherent in these balances, our expectations about future operating results, and possible audits of our tax filings by regulatory authorities. We assess the likelihood of recovering value from future tax assets, such as loss carryforwards, on a regular basis, as well as the future tax depreciation of capital assets, and may establish a valuation provision. If our estimates or assumptions change from those used in our current valuation, we may be required to recognize an adjustment in future periods that would increase or decrease our future income tax asset or liability and increase or decrease our income tax expense.

Long-Lived Assets and Intangibles. We regularly review long-lived assets and intangible assets with finite lives when events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. The determination of recoverability is based on an estimate of undiscounted future cash flows, and the measurement of impairment loss is based on the fair value of the asset. To determine recoverability, we compare the estimated undiscounted future cash flows projected to be generated by these assets to their respective carrying value. In performing this analysis, we make estimates or assumptions about factors such as current and future contracts with clients, margins, market conditions, and the useful life of an asset. If our estimates or assumptions change from those used in our current analysis, we may be required to recognize an impairment loss in future periods that would decrease our long-lived and intangible assets and increase our reported expenses.

Liabilities for Lease Exit Activities. We accrue charges when closing offices in existing operations or finalizing plans to downsize offices in locations assumed from an acquiree upon a business acquisition. Included in these liabilities is the present value of the remaining lease payments reduced by estimated sublease rentals that can reasonably be obtained. These provisions are based on our estimates and reflect plans in place at the time the liability is recorded. If actual sublease payments and rental circumstances change from our original estimate, the liability will change, and we will be required to increase or decrease it and adjust goodwill or reported expenses depending on whether the adjustment relates to a liability established pursuant to an acquisition.

Business Combinations—Purchase Price Allocation. In a business combination, we may acquire the assets and assume certain liabilities of an acquired entity. The allocation of the purchase price for these transactions involves judgment in determining the fair values assigned to the tangible and intangible assets acquired and the liabilities assumed on the acquisition. The determination of these fair values involves a variety of assumptions, revenue growth rates, expected operating income, discount rates, and earning multiples. If our estimates or assumptions change prior to finalizing the purchase price allocation for a transaction, a revision to the purchase price allocation or the carrying value of the related assets and liabilities acquired may impact our net income in future periods. We are currently in the process of finalizing the purchase price allocation for the Vollmer, Geller DeVellis Inc., Trico Engineering, Chong Partners, Woodlot Alternatives, Inc., Neill and Gunter companies, Moore Paterson Architects Inc., Murphy Hilgers Architects Inc., Brentcliffe Financial Services Inc., Dekko Studio Inc., FMSM, and Leestown Leasing, L.L.C. acquisitions.

Accounting Developments

Canadian

Financial Instruments, Equity, and Comprehensive Income. Effective January 1, 2007, we adopted the CICA Handbook Section 3855, “Financial Instruments—Recognition and Measurement;” Section 1530, “Comprehensive Income;” and Section 3251, “Equity.” These pronouncements further aligned Canadian GAAP with US GAAP and require the following:

- Financial assets are classified as loans or receivables, held to maturity, held for trading, or available for sale. Held-to-maturity classification is restricted to fixed maturity instruments that we intend and are able to

hold to maturity. These investments are accounted for at amortized cost. Held-for-trading instruments are recorded at fair value, with realized and unrealized gains and losses reported in net income. The remaining financial assets are classified as available for sale. These assets are recorded at fair value, with accumulated unrealized gains and losses reported in a new category of the consolidated balance sheets under shareholders' equity called "Accumulated Other Comprehensive Income" until the financial asset is disposed, at which time the realized gains and losses are recognized in net income. Changes in fair value from reporting period to reporting period are recorded in "Other Comprehensive Income."

- Financial liabilities are classified as either held for trading or other. Held-for-trading instruments are recorded at fair value, with realized and unrealized gains and losses reported in net income. Other instruments are accounted for at amortized cost, with related gains and losses reported in net income.

- Derivatives are classified as held for trading unless designated as hedging instruments. All derivatives are recorded at fair value on the consolidated balance sheets.

As a result of adopting these standards, we classified our financial instruments as follows:

- Cash and cash equivalents and restricted cash are classified as financial assets held for trading.

- Accounts receivable net of allowance for doubtful accounts are classified as receivables.

- Investments held for self-insured liabilities are classified as financial assets available for sale.

- Bank indebtedness, accounts payable and accrued liabilities, and long-term debt are classified as other financial liabilities.

- Foreign currency exchange contracts are derivatives that are classified as held for trading. Our foreign currency forward contracts are not accounted for as hedges.

In accordance with the provisions of these new standards, accumulated other comprehensive income is included on our consolidated balance sheets as a separate component of shareholders' equity. Accumulated other comprehensive income includes, on a net of tax basis, net unrealized gains and losses on available-for-sale financial assets and unrealized foreign currency translation gains and losses on self-sustaining foreign operations. On January 1, 2007, in accordance with transitional provisions, unrealized foreign currency translation gains and losses on self-sustaining foreign operations were reclassified from the cumulative translation account to accumulated other comprehensive income. Prior periods presented were also restated to reflect this reclassification.

The impact of recording our investments held for self-insured liabilities at fair value on January 1, 2007, in accordance with transitional provisions was to increase other assets by approximately $493,000, increase opening accumulated other comprehensive income by approximately $481,000 (after-tax), and increase future income tax liabilities by $12,000. Accumulated other comprehensive income also decreased by the $24.8 million balance previously reported in our cumulative translation account. These transition adjustments did not affect net income or basic or diluted earnings per share. Prior period consolidated financial statements were not restated except for the presentation of the cumulative translation account.

Accounting Changes. CICA Handbook Section 1506 establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and the correction of errors. It includes the disclosure, on an interim and annual basis, of a description and the impact on our financial results of any new primary source of GAAP that has been issued but is not yet effective. The adoption of this new section did not have an effect on our financial position or on the results of our operations.

Financial Instruments—Disclosures and Presentation. In November 2006, the CICA issued the new handbook Section 3862, "Financial Instruments—Disclosures," and Section 3863, "Financial Instruments—Presentation," effective for annual and interim periods beginning on or after October 1, 2007. These pronouncements further aligned Canadian GAAP with US GAAP. Early adoption of these recommendations is permitted. Section 3862 requires companies to provide disclosures in their financial statements that enable users to evaluate a) the significance of financial instruments for their financial position and performance and b) the nature and extent of risks arising from financial instruments to which they are exposed during the period and at the balance sheet date and how they manage those risks. Section 3863 establishes standards for the presentation of financial instruments. It addresses the classification of financial instruments between liabilities and equity; the classification of related interest, dividends, and losses and gains; and the circumstances in which financial assets and financial liabilities are

offset. The adoption of these new standards is not expected to have a material effect on our financial position or on the results of our operations.

Capital Disclosures. In November 2006, the CICA released the new handbook Section 1535, "Capital," effective for fiscal years beginning on or after October 1, 2007. This section establishes standards for disclosing information about a company's capital and how it is managed in order that a user of the company's financial statements may evaluate its objectives, policies, and processes for managing capital. The adoption of this new standard is not expected to have a material effect on our financial position or on the results of our operations.

International Financial Reporting Standards. The CICA plans to converge Canadian GAAP for public companies with International Financial Reporting Standards over a transition period that is expected to end in 2011. The impact of this transition on our consolidated financial statements has not yet been determined.

United States

Stock-based compensation. In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No.123 (revised 2004), "Share-Based Payment" (SFAS 123R), effective for the first interim or annual financial statements beginning on or after June 15, 2005. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in financial statements based on their fair values. We recognize share-based payments at fair value for options granted subsequent to January 1, 2002, using the Black-Scholes option-pricing model. We adopted SFAS 123R using the modified-prospective transition method. The adoption of this standard did not have an impact on our consolidated financial statements.

Uncertainty in Income Taxes. In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—An Interpretation of FAS Statement No. 109" (FIN 48), effective for fiscal years beginning on or after December 15, 2006. FIN 48 creates a single model for addressing the accounting for uncertainty in tax positions. It also clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in financial statements. In addition, this interpretation provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We adopted FIN 48 as of January 1, 2007, as required. The adoption of this pronouncement did not have a material effect on our financial position or on the results of our operations.

Fair Value Measurements. In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157), effective for fiscal years beginning after November 15, 2007. SFAS 157 establishes a framework for measuring fair value under US GAAP and requires additional disclosure. The statement defines a fair value hierarchy, with the highest priority being quoted prices in active markets. Under this statement, fair value measurements are disclosed by level within the hierarchy. This standard does not require any new fair value measurements. We are currently considering the impact of the adoption of this standard on our consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment to FASB Statement No. 115" (SFAS 159), effective for fiscal years beginning after November 15, 2007, although early adoption is permitted. SFAS 159 allows an entity to choose to measure certain financial instruments and other items at fair value that are not currently required to be measured at fair value. At each subsequent reporting period, unrealized gains and losses would be reported in earnings on items for which the fair value option has been elected. The adoption of this standard is not expected to have an effect on our financial position or on the results of our operations.

Business Combinations. In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, "Business Combinations" (SFAS 141R), effective for fiscal years beginning after December 15, 2008. This pronouncement changes the accounting for business combinations in a number of areas. It establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree, and the goodwill acquired. The statement also establishes disclosure requirements that will enable users of the financial statements to evaluate the nature and financial effects of the business combination. Although we are currently considering the impact of the adoption of this standard on our consolidated financial statements, it will be limited to any future acquisitions beginning in fiscal 2009.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51" (SFAS 160), effective for fiscal

years beginning after December 15, 2008. SFAS 160 changes the accounting and reporting for ownership interests in subsidiaries held by parties other than the parent. These non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, SFAS 160 establishes standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. It also establishes reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. We are currently considering the impact of the adoption of this standard on our consolidated financial statements.

Materiality

We determine whether or not information is "material" based on whether we believe that a reasonable investor's decision to buy, sell, or hold securities in our Company would likely be influenced or changed if the information were omitted or misstated.

Definition of Non-GAAP Measures

This Management's Discussion and Analysis includes references to and uses terms that are not specifically defined in the CICA Handbook and do not have any standardized meaning prescribed by Canadian GAAP. These non-GAAP measures may not be comparable to similar measures presented by other companies. We believe that these are useful measures for providing investors with additional information to assist them in understanding components of our financial results.

Gross Revenue and Net Revenue. Our Company provides knowledge-based solutions for infrastructure and facilities projects through value-added professional services principally under fee-for-service agreements with clients. In the course of providing services, we incur certain direct costs for subconsultants, equipment, and other expenditures that are recoverable directly from our clients. The revenue associated with these direct costs is included in our gross revenue. Since such direct costs and their associated revenue can vary significantly from contract to contract, changes in our gross revenue may not be indicative of our revenue trends. Accordingly, we also report net revenue, which is gross revenue less subconsultant and other direct expenses, and analyze our results in relation to net revenue rather than gross revenue.

Gross Margin. We monitor our gross margin percentage levels to ensure that they are within an established acceptable range for the profitability of our operations and Company. Gross margin is calculated as the difference of net revenue minus direct payroll costs. Direct payroll costs include the cost of salaries and related fringe benefits for labor hours that are directly associated with the completion of projects. Labor costs and related fringe benefits for labor hours that are not directly associated with the completion of projects are included in administrative and marketing expenses.

Debt to Equity Ratio. As part of our overall assessment of our financial condition, we monitor our debt to equity ratio to ensure that it is maintained within our established range. Debt to equity ratio is calculated as long-term debt plus the current portion of long-term debt plus bank indebtedness less cash, all divided by shareholders' equity.

Return on Equity Ratio. As part of our overall assessment of value added for shareholders, we monitor our return on equity ratio. Return on equity is calculated as net income for the year divided by the average shareholders' equity over each of the last four quarters.

Working Capital. We use working capital as a measure for assessing the overall liquidity of our Company. Working capital is calculated by subtracting current liabilities from current assets.

Current Ratio. We also use current ratio as a measure for assessing the overall liquidity of our Company. Current ratio is calculated by dividing current assets by current liabilities.

RISK FACTORS

The following factors, among others, could cause our actual results to differ materially from those projected in our forward-looking statements:

- Global capital market activities
- Fluctuations in interest rates or currency values
- The effects of war or terrorist activities
- The effects of disease or illness on local, national, or international economies
- The effects of disruptions to public infrastructure such as transportation or communications
- Disruptions in power or water supply
- Industry or worldwide economic or political conditions
- Regulatory or statutory developments
- The effects of competition in the geographic or business areas in which we operate
- The actions of management
- Technological changes

Investors and the public should carefully consider these factors, other uncertainties, and potential events as well as the inherent uncertainty of forward-looking statements when relying on our forward-looking statements to make decisions with respect to Stantec. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or verbal, that may be made from time to time by the organization or on its behalf. Additional operating, market, and growth and acquisition integration risks are outlined below.

Operating Risks

Like all professional services firms in the infrastructure and facilities industry, we are exposed to a number of risks in carrying out the day-to-day activities of our operations. These risks include the following:

Adverse weather conditions and natural or other disasters may cause a delay or eliminate net revenue that otherwise would have been realized and thus adversely affect our profitability.

Our field activities are generally performed outdoors and may include professional surveying, resident engineering services, field data surveys and collection, archeology, plant start-up and testing, and plant operations. Certain weather conditions and natural or other disasters, such as fires, floods, influenza pandemics, and similar events, may cause postponements in the initiation and/or completion of our field activities and may hinder the ability of our office employees to arrive at work, which may result in a delay or elimination of revenue that otherwise would have been recognized while certain costs continued to be incurred. Adverse weather conditions or disasters may also delay or eliminate our initiation and/or completion of the various phases of work relating to other engineering services that commence concurrent with or subsequent to our field activities. Any delay in the completion of our field, office, and/or other activities may require us to incur additional costs attributable to overtime work necessary to meet our client's required schedule. Due to various factors, a delay in the commencement or completion of a project may also result in the cancellation of the contract. As a result, our net revenue and profitability may be adversely affected.

If we experience delays and/or defaults in customer payments, we could suffer liquidity problems or be unable to recover our expenditures.

Because of the nature of our contracts, at times we commit resources to projects prior to receiving payments from the customer in amounts sufficient to cover expenditures as they are incurred. Delays in customer payments may require us to make a working capital investment. If a customer defaults in making payments on a project to which we

have devoted significant resources, it could have a material negative effect on our liquidity as well as on the results of our operations. In addition, in our experience, clients who withhold payment are more likely to bring claims against us and have a higher tendency toward dissatisfaction with the services we provide.

The nature of our business exposes us to potential liability claims and contract disputes, which may reduce our profits.

Our operations are subject to the risk of third-party claims in the normal course of business, some of which may be substantial. We have been and may in the future be named as a defendant in legal proceedings where parties may make a claim for damages or other remedies with respect to our projects or other matters. Any litigation resulting from our business operations could distract management's attention from normal business operations, divert financial resources to the defense of such claims, or result in significant attorney fees and damage awards for which we may not be fully insured and which could harm our reputation. Any of these circumstances could adversely affect our profitability.

Our backlog is subject to unexpected adjustments and cancellations and is, therefore, an uncertain indicator of our future earnings.

As of December 31, 2007, our backlog was approximately $831 million. However, the revenue projected in our backlog may not be realized or, if realized, may not result in profits. Projects may remain in our backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur from time to time with respect to contracts reflected in our backlog. Backlog reductions can adversely affect the revenue and profit we actually receive from contracts reflected in our backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of our backlog and the revenue and profits we actually receive. Finally, poor project or contract performance could also impact our profits.

If we are unable to engage qualified subconsultants, we may lose projects, revenue, and clients.

We often contract with outside companies to perform designated portions of the services we provide to our clients. In 2007 subconsultant costs accounted for approximately 8.6% (2006 – 8.6%) of our gross revenue. If we are unable to engage qualified subconsultants, our ability to perform under some of our contracts may be impeded and the quality of our service may decline. As a consequence, we may lose projects, revenue, and clients.

We bear the risk of cost overruns in a significant number of our contracts. We may experience reduced profits or, in some cases, losses under these contracts if costs increase above our estimates.

We conduct our business under various types of contractual arrangements, most of which are fee-for-service agreements. However, approximately 70% of the dollar value of our contracts in 2007 was based on a fixed-fee or time-and-materials contract with a ceiling on the maximum costs to the client. Under fixed-fee contracts, we perform services at a stipulated price. Under time-and-materials contracts with not-to-exceed provisions, we are reimbursed for the number of labor hours expended at an established hourly rate plus the cost of materials incurred subject, however, to a stated maximum dollar amount for the services to be provided. In both of these types of contracts, we agree to provide our services based on our estimate of the costs a particular project will involve. These estimates are established in part on cost and scheduling projections, which may prove to be inaccurate, or circumstances may arise, such as unanticipated technical problems, weaknesses in project management, difficulties in obtaining permits or approvals, changes in local laws, or delays beyond our ability to control, that may make our projections inaccurate. The underestimation of costs for these types of contracts may cause us to incur losses or result in a project not being as profitable as we expect. In addition, projects that are not completed on schedule further reduce profitability because our staff must continue to work on these projects longer than anticipated, which may prevent them from pursuing and working on new projects. Projects that are over budget or not on schedule may also lead to client dissatisfaction.

We may have difficulty in attracting and retaining qualified staff, which may affect our reputation in the marketplace and restrict our ability to implement our business strategy.

We derive our revenue almost exclusively from services performed by our employees. Consequently, one of the key drivers of our business is our ability to attract and retain qualified staff. However, we may not be able to attract and retain the desired number of qualified staff over the short or long term. There is significant competition for staff with the skills necessary for providing our services from major and boutique consulting, engineering, public agency, research, and other professional services firms. Our inability to attract and retain qualified staff could impede our ability to secure and complete engagements, in which event we may lose market share and our revenue and profits

could decline. In addition, if our employees were to leave our Company and become competitors of ours, we could lose other employees and some of our existing clients who have formed relationships with such former employees. We could also lose future clients to a former employee as a new competitor. In either event, we could lose clients and revenue, and our profitability could decline.

Reliance on key personnel who may be unable or unwilling to continue their employment may adversely impact our business.

Our operations are dependent on the abilities, experience, and efforts of senior management and other key personnel. If any of these individuals are unable or unwilling to continue their employment with us, and if we do not have a well-developed succession plan prior to their departure, our business, operations, and prospects may be materially adversely affected.

One of our primary competitive advantages is our reputation. If our reputation is damaged due to client dissatisfaction, our ability to win additional business may be materially damaged.

Although we serve many diverse clients and are not dependent on any one client or group of clients to sustain our business, our reputation for delivering effective and efficient solutions for complex projects is one of our most valuable business development assets. The loss of this reputation due to client dissatisfaction represents a significant risk to our ability to win additional business both from existing clients and from those with whom we may have dealings in the future.

Inadequate internal controls or disclosure controls may result in events that could adversely affect our business.

Inadequate internal controls or disclosure controls over financial reporting could result in material misstatement in our financial statements and related public disclosures. Inadequate controls could also result in system downtime, delayed processing, inappropriate decisions based on non-current internal financial information, fraud, or the inability to continue our business operations.

If fraud occurs and remains undetected, we may have a loss of assets or misstatement in our financial statements.

Fraud may occur and remain undetected, resulting in a loss of assets and/or misstatement in our financial statements and related public disclosures.

Our insurance may not cover all claims for which we may be liable, and expenses related to insurance coverage may adversely impact our profitability.

Although we believe that we have made adequate arrangements for insuring against potential liability claims, these arrangements may be insufficient to cover any particular risk. When it is determined that we have liability, we may not be covered by insurance, or, if covered, the dollar amount of these liabilities may exceed our policy limits. Our professional liability coverage is on a “claims-made” basis, covering only claims actually made during the policy period currently in effect. In addition, even where insurance is maintained for such exposures, the policies have deductibles resulting in our assuming exposure for a layer of coverage with respect to any such claims. Any liability not covered by our insurance, in excess of our insurance limits, or covered by insurance but subject to a high deductible could result in a significant loss for us, which may reduce our profits and cash available for operations. Moreover, we may become subject to liability that cannot be insured against or against which we may choose not to insure because of high premium costs or for other reasons. Our expansion into new services or geographic areas could result in our failure to obtain coverage for these services or areas, or the coverage being offered may be at a higher cost than our current coverage. Due to the current insurance environment, we have experienced and may continue to experience an increase in our insurance premiums. We may not be able to pass these increases on to our clients in increased billing rates.

Interruption to our systems and network infrastructure could adversely impact our ability to operate.

We rely heavily on computer information, communications technology, and related systems in order to properly operate. If we are unable to continually add software and hardware, effectively upgrade our systems and network infrastructure, and take other steps to improve the efficiency of and protect our systems, systems operation could be interrupted or delayed. In addition, our computer and communications systems and operations could be damaged or interrupted by natural disasters, telecommunications failures, acts of war or terrorism, computer viruses, physical or

electronic security breaches, or similar events or disruptions. Any of these or other events could cause system interruption, delays, and loss of critical data, could delay or prevent operations, and may adversely affect our operating results.

We may not be able to adequately protect our intellectual property, which could force us to take costly protective measures such as litigation.

To establish and protect our intellectual property rights, we rely on a combination of trademark and trade secret laws, along with licenses, exclusivity agreements, and other contractual covenants. However, the measures we take to protect our intellectual property rights may prove inadequate to prevent the misappropriation of our intellectual property. Litigation may be necessary to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Litigation of this type could result in substantial costs and the diversion of resources, may result in counterclaims or other claims against us, and could significantly harm the results of our operations.

Market Risks

We are also exposed to various market factors that can affect our performance. These risks include the following:

Economic downturns could have a negative impact on our business since our clients may curtail investment in infrastructure projects.

Demand for the services we offer has been, and is expected to continue to be, subject to significant fluctuations due to a variety of factors beyond our control, including economic conditions. During economic downturns, the ability of both private and government entities to make expenditures may decline significantly, which would have a material adverse effect on our revenue and profitability. We cannot be certain that economic or political conditions will generally be favorable or that there will not be significant fluctuations that adversely affect our industry as a whole or the key markets we target.

A significant portion of our revenue is derived from clients in the real estate industry. Consequently, our business could suffer materially if there were a downturn in the real estate market.

In 2007, 29.8% (2006 – 34.5%) of our gross revenue was derived from services provided by our Urban Land practice area, the majority (about 85%) of which are related to residential and commercial real estate development projects. Consequently, reduced demand in the real estate market would likely have an adverse impact on our Urban Land practice area. The real estate market, and, therefore, our business, may be impacted by a number of factors, which may include the following:

- Changes in employment levels and other general economic conditions
- Changes in interest rates and in the availability, cost, and terms of financing
- The impact of present or future environmental, zoning, or other laws and regulations
- Changes in real estate tax rates and assessments and other operating expenses
- Changes in levels of government infrastructure spending and fiscal policies
- Natural or human-made disasters and other factors that are beyond our control

A significant decrease in the demand for our real estate-related services could have a material adverse effect on our overall business, including the results of our operations and liquidity.

The professional consulting services industry is highly competitive, which could have a negative impact on our profit margins and market share.

The markets we serve are highly competitive, and we have numerous competitors for the services we offer. The principal competitive factors include reputation, experience, breadth and quality of services, technical proficiency, local offices, competitive total project fees, and service delivery. The number and identity of competitors vary widely with the type of service we provide. For small- to medium-sized projects, we compete with many engineering, architecture, and other professional consulting firms. For larger projects, there are fewer but still many competitors, and many of these competitors have greater financial and other resources than we do. Although we compete with other large private and public companies in certain geographic locations, our primary competitors are small and

midsize, privately held regional firms in the United States and Canada. Generally, competition places downward pressure on our contract prices and profit margins. However, such impact is difficult to quantify. Intense competition is expected to continue in these markets, presenting significant challenges to our ability to maintain strong growth rates and acceptable profit margins. If we are unable to meet these competitive challenges, we could lose market share to our competitors and experience an overall reduction in our profits. We may not be able to compete successfully with such competitors, and such competition could cause us to lose customers, increase expenditures, or reduce pricing, any of which could have a material adverse effect on our earnings and stock price.

If we need to sell or issue additional common shares and/or incur additional debt to finance future acquisitions, our share ownership could be diluted and the results of our operations could be adversely affected.

Our business strategy is to expand into new markets and enhance our position in existing markets through the acquisition of complementary businesses. In order to successfully complete targeted acquisitions or to fund our other activities, we may issue additional equity securities that could dilute share ownership. We may also incur additional debt if we acquire another company, and this could increase our debt repayment obligations, which could have a negative impact on our future liquidity and profitability.

As mentioned previously, we currently have a $250 million credit facility. However, we have no assurance that debt financing will continue to be available from our current lenders or other financial institutions on similar terms.

We derive significant revenue from contracts with government agencies. Any disruption in government funding or in our relationship with those agencies could adversely affect our business.

The demand for our services is related to the level of government funding that is allocated for rebuilding, improving, and expanding infrastructure systems. We derive a significant amount of our revenue from government or government-funded projects and expect to continue to do so in the future. Between 30 and 57% of our gross revenue during the years ended December 31, 2005, through December 31, 2007, was derived from government or government-funded projects. Significant changes in the level of government funding could have an unfavorable impact on our business, financial position, results of operations, and cash flows.

We believe that the success and further development of our business depends, in part, on the continued funding of these government programs and on our ability to participate in these programs. However, governments may not have available resources to fund these programs or may not fund these programs even if they have available financial resources. Some of these government contracts are subject to renewal or extensions annually, so we cannot be assured of our continued work under these contracts in the future. In addition, government agencies can terminate these contracts at their convenience. We may incur costs in connection with the termination of these contracts and suffer a loss of business. As well, contracts with government agencies are sometimes subject to substantial regulation and audit of the actual costs incurred. Consequently, there may be a downward adjustment to our revenue if accrued recoverable costs exceed actual recoverable costs.

Because we report our results in Canadian dollars and a substantial portion of our revenue and expenses is recorded in US dollars, our results are subject to currency exchange risk.

Although we report our financial results in Canadian dollars, a substantial portion of our revenue and expenses is generated or incurred in US dollars. For the purposes of financial reporting under Canadian GAAP measures, revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the average exchange rates prevailing during the year. We expect to continue to report our financial results in Canadian dollars in accordance with Canadian GAAP measures. Therefore, if the Canadian dollar were to strengthen relative to the US dollar and other currencies, the amount of net income from our non-Canadian-dollar-denominated business could decrease, which could have a material adverse effect on our business, financial condition, and results of operations.

The value of the Canadian dollar relative to the US dollar is subject to volatility. For example, the average exchange rates for the years ended December 31, 2007; December 31, 2006; and December 31, 2005, for C$1.00 were US$0.93, US$0.88, and US$0.83, respectively. Furthermore, this volatility may continue in the future, and, as discussed above, increases in the strength of the Canadian dollar relative to the US dollar may have a negative impact on the results of our operations.

From time to time, we enter into forward contracts to manage risk associated with net operating assets outside our US operations denominated in US dollars (other than with respect to net operating assets that are owned by

US subsidiaries). These derivative contracts, which are not accounted for as hedges, are marked to market, and any changes in the market value are recorded in income or expense when they occur. As a result, we may not benefit from any weakening of the Canadian dollar relative to the US dollar.

Our share price could be adversely affected if a large number of our common shares are offered for sale or sold.

There may be instances in which we negotiate an acquisition where the consideration for the purchase may include Stantec shares. In the event that the acquired entity's shareholders subsequently decide to dispose of Stantec shares following the acquisition, there could be a large supply of our common shares on the market. If the supply of our common shares is significantly greater than the associated demand, the market price of our common shares may significantly decline and may not recover.

Our share price has historically been subject to volatility. As a result, the price of our common shares may decrease in the future due to a number of Company- and industry-specific or general economic factors.

Our share price has experienced volatility in the past and will likely be volatile in the future. For example, the intraday high and low prices for our common shares on the TSX and New York Stock Exchange (NYSE) during the 52 weeks ended December 31, 2007, were C$39.31 and C$23.70, respectively, and US$39.64 and US$20.10, respectively.

The price of our common shares may fluctuate substantially in the future due to, among other things, the following factors: (1) the failure of our quarterly or annual operating results to meet expectations; (2) the reaction of markets and securities analysts to announcements and developments involving our Company; (3) adverse developments in the worldwide, Canadian, or US economy, the financial markets, or the engineering and consulting services market; (4) changes in interest rates; (5) announcements by key competitors; (6) additions or departures of key staff; (7) announcements of legal proceedings or regulatory matters; or (8) general volatility in the stock market.

In addition, the stock market has experienced volatility that has affected the market prices of the equity securities of many companies and that has often been unrelated to the operating performance of such companies. A number of other factors, many of which are beyond our control, could also cause the market price of our common shares to fluctuate substantially.

Increasing awareness of environmental factors may result in the cancellation of major projects by key clients and thus adversely affect our profitability.

As part of increasing awareness of global climate change, some experts have suggested that companies involved in industries that impact the environment may be subject to litigation from governments, shareholders, or environmental activists. The cancellation of major projects due to environmental concerns or significant environmental litigation impacting key clients could affect our future results.

Growth and Acquisition Integration Risks

We are also exposed to factors arising from growth and acquisition activities that can affect our performance. These risks include the following:

If we are unable to manage our growth effectively, we may experience a decline in our revenue and profitability.

We have grown rapidly in the last few years, and we intend to pursue further growth through acquisitions and internal hiring as part of our business strategy. However, there is a risk that we may not be able to manage our growth effectively and efficiently. Our inability to manage our growth could cause us to incur unforeseen costs, time delays, or other negative impacts, any of which could cause a decline in our revenue and profitability. Our rapid growth has presented, and will continue to present, numerous administrative and operational challenges, including the management of an expanding array of engineering and consulting services, the assimilation of financial reporting systems, increased pressure on our senior management, and increased demand on our systems and internal controls. Furthermore, as we expand our service offerings and geographic presence, we may not be able to maintain the current quality of our services.

We may also encounter difficulties in integrating acquisitions that we do make. Acquired businesses may not be profitable, because we may not be successful in generating the same level of operating performance that an acquired company experienced prior to its acquisition. As well, we may not be able to maintain our reputation in an

acquired company's geographic area or service offerings, which may negatively impact our ability to attract and retain clients in those or other areas. Any of these integration issues could divert management's attention from other business activities and impact our ability to grow our business effectively.

From time to time, we have pursued and may continue to pursue and invest in business opportunities that are not directly within our core competencies. These new business opportunities may require a disproportionate amount of management's time to develop profitably and may not perform as expected.

Acquisitions may bring us into businesses that we have not previously conducted and expose us to additional business risks that are different from those we have traditionally experienced. Consequently, we may depend in part on the knowledge and expertise of the professional service providers and management teams that we acquire in order to make these business opportunities profitable. New business opportunities frequently bring a learning curve that may require substantial management time, which may create a distraction from our day-to-day business operations. If these business opportunities do not perform as anticipated or are not profitable, our earnings during periods of greater learning may be materially adversely affected, and we may experience a partial or complete loss of our investment.

Goodwill and other intangible assets acquired as a result of our acquisitions represent substantial portions of our total assets. If our acquired businesses do not perform as expected, we may be required to write down the value of our goodwill and other intangible assets, which could have a material adverse effect on our earnings.

Goodwill and other intangible assets represent approximately 44.9% of our total assets. When we acquire a consulting business, a significant portion of the purchase price for the acquisition is generally allocated to goodwill and other identifiable intangible assets. The amount of the purchase price allocated to goodwill is determined by the excess of the purchase price paid by us to acquire the consulting business over the fair value of the net identifiable assets acquired. Canadian and US accounting rules require us to perform an annual impairment test of our goodwill and indefinite life intangible assets. A deterioration in the operating results of such acquired businesses or the failure of these businesses to meet our expectations may adversely affect the carrying value of our goodwill and other indefinite life intangible assets and could result in an impairment of the goodwill associated with such businesses. As part of our annual review of goodwill for impairment, we consider the actual performance of each of our reporting units compared to our expectations and update our future expectations for such reporting units. An impairment of goodwill would be recorded as a charge in our income statement, which could have a material effect on our earnings.

Stantec and an acquired entity may experience difficulties in integrating the acquired entity's business into the existing operations of Stantec and so may not realize the anticipated benefits of the acquisition.

Our rationale for acquiring a firm is, in part, predicated on our ability to leverage the combined strengths of the two companies to increase our opportunities and grow our revenue. Integrating an acquired firm's operations and staff into our own is a complex endeavor, and we may not be able to complete the process rapidly or without encountering difficulties. Successful integration requires, among other things, the assimilation of the firm's professional services, sales and marketing operations, and information and software systems as well as the coordination of employee retention and hiring and training operations. The diversion of management's attention to the integration effort and any difficulties encountered in combining operations could adversely affect the combined company's business and prevent it from realizing the anticipated improvement in professional service offerings, market penetration, and geographic presence that formed the foundation for the acquisition.

We may be unsuccessful in our goal to increase the size and profitability of our operations, which could lead to a reduction in our market share and competitiveness as our industry consolidates.

We may not be able to locate suitable acquisitions or to consummate any such transactions on terms and conditions that are acceptable to us. As the professional services industry consolidates, suitable acquisition candidates are expected to become more difficult to locate and may only be available at prices or under terms that are less favorable than in the past. In addition, some of our competitors are much larger than us, have greater financial resources, and can better afford to pay a premium for potential acquisition candidates. If we are unable to effectively compete for or locate suitable acquisitions, our business will not grow in the manner we expect, and we will have difficulty achieving our growth plan.

Uncertainties associated with an acquisition or merger or with Stantec as a new owner may cause an acquired entity to lose customers.

An acquired company's customers may, in response to the announcement of the acquisition, delay or defer decisions concerning their use of the acquired company's services because of uncertainties related to the consummation of the acquisition, including the possibility that the acquisition may not be completed if all the conditions of the transaction are not fulfilled. This circumstance could have an adverse effect on our revenue and profitability.

Uncertainties associated with an acquisition may cause a loss of employees.

The ability to attract and retain trained professionals is one of the key drivers of our business and results. Therefore, the success of an acquisition depends in part on our ability to retain key employees of the acquired firm. Competition for qualified staff can be very intense. In addition, key employees may depart because of issues relating to the uncertainty and difficulty of the completion of the acquisition or integration or a desire not to remain with the combined company. Accordingly, we may be unable to retain key employees to the same extent that we were able to do so in the past.

Managing Our Risks

We mitigate our operating, market, and growth and acquisition integration risks through our business strategy and other measures. As mentioned previously, our three-dimensional business model based on geographic, practice area, and life cycle diversification reduces our dependency on any particular industry or economic sector for our income. To help reduce our susceptibility to industry-specific and regional economic cycles and to take advantage of economies of scale in the highly fragmented professional services industry, we intend to continue to diversify our business both in terms of geographic presence and service offerings. From the beginning of 2002 to December 31, 2007, we have completed 35 acquisitions, and we expect to continue to pursue selective acquisitions of businesses that will enable us to enhance our market penetration and increase and diversify our revenue base. We also differentiate our Company from competitors by entering into a diverse range of contracts with a variety of fee amounts. Focusing on this project mix continues to ensure that we do not rely on a few large, single projects for our revenue and that no single client or project accounts for more than 5% of our overall business.

To address the risk of competition for qualified personnel, we offer a number of employment incentives, including training programs, access to a plan that provides the benefit of employee share ownership, and opportunities for professional development and enhancement, along with compensation plans that we believe to be competitive, flexible, and designed to reward top performance. In 2007 we completed a number of activities, including the expansion of our Career Development Center with updated content and new in-house programs and training. Launched in 2005, the center is the on-line source for all our learning, coaching and mentoring, and professional and career development resources. It provides access to programs and material on topics such as employee orientation, people skills and leadership, project management, risk mitigation, business development, and financial management, among others. During 2007, we also introduced Ready. Set. Focus!, a revamp of our organization structure and leadership team designed to increase our senior leaders' involvement with our clients and projects. As well, we continue to improve our project manager and leadership portal dashboard training programs. These programs are intended to make financially related information more visible in order to assist our operations leadership in improving performance and decision making. We recognize that through improved project management across our operations we will increase our ability to deliver projects on schedule and within budget.

Since our operations are dependent on the abilities and efforts of senior management and other key personnel, our Board of Directors and senior leaders are taking the necessary steps to develop and implement a formal plan of succession for management.

To mitigate the risk of fraud, we have various business conduct policies, including our Code of Ethics, Conflict of Interest, and Whistleblower policies. In addition, our Internal Audit team reviews opportunities and indicators for fraud as part of its control evaluation program.

We maintain insurance coverage for our operations, including policies covering general liability, automobile liability, environmental liability, workers' compensation and employers' liability, directors' and officers' liability, and professional liability. We have a regulated captive insurance company to insure and fund the payment of any professional liability self-insured retentions related to claims arising after August 1, 2003. We, or our clients, also obtain project-specific insurance for designated projects from time to time. In addition, we invest resources in a Risk

Management team that is dedicated to providing Company-wide support and guidance on risk avoidance practices and procedures. One of our practices is to carry out select client evaluations, including credit risk appraisals, before entering into contract agreements to reduce the risk of non-payment for our services.

To address the risk of being unsuccessful in integrating acquired companies, we have an acquisition and integration program managed by a dedicated acquisition team. The team supports, or is responsible for, the tasks of identifying and valuing acquisition candidates, undertaking and coordinating due diligence, negotiating and closing transactions, and integrating employees and systems immediately following an acquisition. In addition, for each acquisition a senior regional or practice leader is appointed to support the integration process. We also have a coordinated integration plan that involves the implementation of our Company-wide information technology and financial management systems as well as provision of "back office" support services from our corporate and regional offices.

CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to ensure that information we are required to disclose in reports filed with securities regulatory agencies is recorded, processed, summarized, and reported on a timely basis and is accumulated and communicated to management, including our CEO and chief financial officer (CFO), as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, including our CEO and CFO, we carried out an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2007, (as defined in rules adopted by the Securities and Exchange Commission (SEC) in the United States and as defined in Canada by Multilateral Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings). Based on this evaluation, our CEO and CFO concluded that the design and operation of our disclosure controls and procedures were effective.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and of the preparation of financial statements for external purposes in accordance with generally accepted accounting principals. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of our financial reporting and of the preparation of our financial statements. Accordingly, management, including our CEO and CFO, does not expect that our internal control over financial reporting will prevent or detect all errors and all fraud. Management's Annual Report on Internal Control over Financial Reporting and the Independent Auditors' Report on Internal Controls are included in our 2007 consolidated financial statements.

There has been no change in our internal control over financial reporting during the year ended December 31, 2007, that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

We will continue to periodically review our disclosure controls and procedures and internal control over financial reporting and may make modifications from time to time as considered necessary or desirable.

CORPORATE GOVERNANCE

Disclosure Committee

In 2005 our Company established a Disclosure Committee consisting of a cross section of management. The committee's mandate is to provide ongoing review of Stantec's continuous disclosure policy and to facilitate compliance with applicable legislative and regulatory reporting requirements.

Board of Directors

Stantec's Board of Directors currently includes eight members, six of whom are independent under Canadian securities laws and under the rules of the SEC and the NYSE and free from any interest or relationship that could materially interfere with their ability to act in the best interest of our Company and shareholders.

The board's mandate is to supervise Stantec's management with a view to the Company's best interests. The board fulfils its mandate by

- Overseeing the Company's strategic planning process
- Satisfying itself as to the integrity of the CEO and other executive officers
- Ensuring that the Company has a policy in place for communicating effectively with shareholders, other stakeholders, and the public
- Reviewing and monitoring the Company's principal business risks as identified by management, along with the systems for managing such risks
- Overseeing senior management succession planning, including the appointment, development, and monitoring of senior management
- Ensuring that management maintains the integrity of the Company's internal controls and management information systems

In 2007 Stantec's board included two committees—the Audit Committee and the Corporate Governance and Compensation Committee. Both committees are composed entirely of unrelated, independent directors.

Audit Committee

The Audit Committee monitors, evaluates, approves, and makes recommendations on matters affecting Stantec's external audit, financial reporting, and accounting control policies. The committee met nine times in 2007. The chairman of the committee provides regular reports at the Company's board meetings.

The board has determined that each of the Audit Committee's members is financially literate and that each is a "financial expert" as such term is defined under the rules of the SEC and NYSE.

Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee monitors, evaluates, approves, and makes recommendations on matters affecting governance and compensation. Governance matters include, but are not limited to, board size, nominations, orientation, education, and self-evaluation. Compensation matters include, but are not limited to, executive management compensation, performance review, and succession plans. The Corporate Governance and Compensation Committee met two times in 2007. The chairman of the committee provides regular reports at the Company's board meetings.

More information about Stantec's corporate governance can be found on our web site (www.stantec.com) and in the Management Information Circular for our May 1, 2008, annual meeting of shareholders. In addition, the following documents are posted on our web site:

- Code of Ethics
- Corporate Governance Guidelines
- Audit Committee Terms of Reference
- Corporate Governance and Compensation Committee Terms of Reference

The above information is not and should not be deemed to be incorporated by reference herein. Copies of these documents will be made available in print form to any shareholder who requests them.

SUBSEQUENT EVENTS

Acquisitions

On January 2, 2008, we acquired R.D. Zande, which added approximately 285 staff to our Company. The acquisition of this firm strengthens our operations in the midwestern United States and increases the depth of our service offerings to public sector clients in the environment sector. R.D. Zande provides services mainly in water and wastewater treatment facility design, environmental management, and transportation, as well as complementary services in planning, landscape architecture, surveying, and land development.

On January 2, 2008, we acquired Rochester Signal, Inc., which added approximately 25 staff. The acquisition of this firm supplements the transit-related services offered by our Rochester, New York, office. Rochester Signal, Inc. provides signal design, construction management, installation, and testing services, along with engineering support for the development of all types of rail systems, from main and commuter lines to rapid transit and light rail.

On February 1, 2008, we acquired SII Holdings, Inc. (Secor), adding approximately 700 staff. The acquisition of this firm significantly increases our environmental service offerings, particularly for clients in the private sector. Secor provides expertise in downstream marketing remedial services to the US energy industry, as well as comprehensive environmental remediation services to the manufacturing, chemical, pulp and paper, and transportation industries.

R.D. Zande , Rochester Signal, Inc., and Secor were acquired for an aggregate cash consideration of $67.0 million and promissory notes of $10.7 million.

Revolving Credit Facility

On January 22, 2008, we reached an agreement to increase the limit of our existing revolving credit facility from $160 million to $250 million. Depending on the form under which the credit facility is accessed and on our debt to earnings ratio, rates of interest will vary between Canadian prime, US base rate, or LIBOR or bankers' acceptance rates plus 65, 85, or 125 basis points. The agreement also includes a provision for access to an additional $50 million under the same terms and conditions upon approval from our lenders. This financing provides us additional flexibility for continued growth.

Management Report

The annual report, including the consolidated financial statements, and Management's Discussion and Analysis (MD&A) is the responsibility of the management of the Company. The consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles. Where alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances. The significant accounting policies used are described in note 1 to the consolidated financial statements. Certain amounts in the financial statements are based on estimates and judgments relating to matters not concluded by year-end. The integrity of the information presented in the financial statements is the responsibility of management. Financial information presented elsewhere in this annual report has been prepared by management and is consistent with the information in the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities and for final approval of the annual consolidated financial statements. The board has appointed an Audit Committee comprising three directors, none of whom is an officer or employee of the Company or its subsidiaries. The Audit Committee meets at least four times each year to discharge its responsibilities under a written mandate from the Board of Directors. The Audit Committee meets with management and with the external auditors to satisfy itself that they are properly discharging their responsibilities; reviews the consolidated financial statements, MD&A, and Independent Auditors' Report on Financial Statements; and examines other auditing and accounting matters. The Audit Committee has reviewed the audited consolidated financial statements with management and discussed the quality of the accounting principles as applied and significant judgments affecting the consolidated financial statements. The Audit Committee has discussed with the external auditors the external auditors' judgments of the quality of those principles as applied and the judgments noted above. The consolidated financial statements and MD&A have been reviewed by the Audit Committee and approved by the Board of Directors of Stantec Inc.

The consolidated financial statements have been examined by the shareholders' auditors, Ernst & Young LLP, Chartered Accountants. The Independent Auditors' Report on Financial Statements outlines the nature of their examination and their opinion on the consolidated financial statements of the Company. The external auditors have full and unrestricted access to the Audit Committee, with or without management being present.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at December 31, 2007.

As permitted by published guidance of the U.S. Securities and Exchange Commission (SEC), management's evaluation of and conclusions on the effectiveness of internal control over financial reporting excluded the internal controls of Neill and Gunter, Incorporated; Neill and Gunter Limited; and Neill and Gunter (Nova Scotia) Limited (the Neill and Gunter companies), each acquired on October 19, 2007, and of Fuller, Mossbarger, Scott & May Engineers, Inc. (FMSM) and Leestown Leasing, L.L.C., acquired on December 31, 2007. The assets and liabilities and results of operations from these companies are included in the Company's consolidated financial statements. The total assets of the Neill and Gunter companies and of FMSM and Leestown Leasing, L.L.C., on their acquisition dates, were $74.6 million and $54.4 million, respectively. These assets as a percentage of the Company's total assets, as at December 31, 2007, were 9.2% and 6.7%, respectively. The gross revenue earned by the Neill and Gunter companies and FMSM and Leestown Leasing, L.L.C., from their dates of acquisition to December 31, 2007, constituted 1.3% and 0.0%, respectively, of the Company's gross revenue for the year ended December 31, 2007.

Ernst & Young LLP, which has audited the consolidated financial statements of the Company for the year ended December 31, 2007, has also issued a report on the effectiveness of the Company's internal control over financial reporting.

Tony Franceschini

Tony Franceschini P.Eng.
President & CEO
February 20, 2008

Don Wilson

Don Wilson CA
Senior Vice President & CFO
February 20, 2008

Independent Auditors' Report on Financial Statements

To the Shareholders of Stantec Inc.

We have audited the consolidated balance sheets of Stantec Inc. as at December 31, 2007 and 2006 and the consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007 in accordance with Canadian generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2007 the Company adopted the requirements of the Canadian Institute of Chartered Accountants Handbook Section 3855, “Financial Instruments – Recognition and Measurement”; Section 1530, “Comprehensive Income”; and Section 3251, “Equity”.

We have also audited, in accordance with the Standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2007 based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2008, expressed an unqualified opinion thereon.

Ernst & Young LLP

Chartered Accountants
Edmonton, Canada
February 20, 2008

Independent Auditors' Report on Internal Controls
(under the standards of the Public Company Accounting Oversight Board (United States))

To the Board of Directors and Shareholders of Stantec Inc.

We have audited Stantec Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Stantec Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Annual Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Neill and Gunter, Incorporated; Neill and Gunter Limited; Neill and Gunter (Nova Scotia) Limited, and Fuller, Mossbarger, Scott & May Engineers, Inc. and Leestown Leasing, L.L.C., which are included in the 2007 consolidated financial statements of Stantec Inc. and constituted 9.2% and 6.7%, respectively, of total assets at December 31, 2007 and 1.3% and 0.0%, respectively, of gross revenues for the year then ended. Our audit of internal control over financial reporting of Stantec Inc. also did not include an evaluation of the internal control over financial reporting of Neill and Gunter, Incorporated; Neill and Gunter Limited; Neill and Gunter (Nova Scotia) Limited, and Fuller, Mossbarger, Scott & May Engineers, Inc. and Leestown Leasing, L.L.C.

In our opinion, Stantec Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) the consolidated balance sheets of Stantec Inc. as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three year period ended December 31, 2007 of Stantec Inc. and our report dated February 20, 2008, expressed an unqualified opinion thereon.

Ernst & Young LLP

Chartered Accountants
Edmonton, Canada
February 20, 2008

Consolidated Balance Sheets

(In thousands of Canadian dollars)	December 31 2007 $	December 31 2006 $
ASSETS *(note 8)*		
Current		
Cash and cash equivalents	**14,175**	28,363
Restricted cash	**-**	1,545
Accounts receivable, net of allowance for doubtful accounts of $10,508 in 2007 ($6,303 – 2006)	**206,063**	164,968
Costs and estimated earnings in excess of billings	**65,064**	41,152
Income taxes recoverable	**5,019**	3,993
Prepaid expenses	**6,617**	6,591
Future income tax assets *(note 14)*	**13,308**	9,711
Other assets *(note 6)*	**13,002**	8,228
Total current assets	**323,248**	264,551
Property and equipment *(note 3)*	**88,156**	65,009
Goodwill *(note 4)*	**332,922**	251,491
Intangible assets *(note 5)*	**32,288**	22,819
Future income tax assets *(note 14)*	**12,074**	9,984
Other assets *(note 6)*	**24,873**	20,616
Total assets	**813,561**	634,470
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities *(note 7)*	**155,020**	107,132
Billings in excess of costs and estimated earnings	**34,423**	28,721
Income taxes payable	**9,955**	7,425
Current portion of long-term debt *(note 8)*	**21,549**	4,181
Future income tax liabilities *(note 14)*	**11,750**	12,236
Total current liabilities	**232,697**	159,695
Long-term debt *(note 8)*	**74,539**	12,046
Future income tax liabilities *(note 14)*	**20,718**	18,273
Other liabilities *(note 9)*	**42,909**	33,561
Total liabilities	**370,863**	223,575
Commitments, contingencies, and guarantees *(notes 2, 8, 10, and 11)*		
Shareholders' equity		
Share capital *(note 12)*	**218,790**	212,781
Contributed surplus *(note 12)*	**6,266**	5,458
Deferred stock compensation	**(110)**	(250)
Retained earnings	**286,780**	217,750
Accumulated other comprehensive income (AOCI) *(note 13)*	**(69,028)**	(24,844)
Total shareholders' equity	**442,698**	410,895
Total liabilities and shareholders' equity	**813,561**	634,470

See accompanying notes

On behalf of the Board of Directors:

Director

Director

Consolidated Statements of Income

Years ended December 31 *(In thousands of Canadian dollars, except per share amounts)*	**2007** **$**	2006 $	2005 $
INCOME			
Gross revenue	**954,619**	816,133	618,020
Less subconsultant and other direct expenses	**123,731**	108,206	93,468
Net revenue	**830,888**	707,927	524,552
Direct payroll costs	**360,101**	304,677	234,553
Gross margin	**470,787**	403,250	289,999
Administrative and marketing expenses *(notes 12 and 21)*	**351,346**	292,064	212,992
Depreciation of property and equipment	**19,038**	15,604	12,389
Amortization of intangible assets	**3,702**	6,132	2,542
Net interest expense *(note 8)*	**1,594**	1,892	571
Share of income from associated companies	**(292)**	(285)	(187)
Foreign exchange gains	**(2,480)**	(74)	(449)
Other income	**(1,235)**	(1,507)	(359)
Income before income taxes	**99,114**	89,424	62,500
Income taxes *(note 14)*			
Current	**34,994**	31,484	21,735
Future	**(5,159)**	(2,242)	143
Total income taxes	**29,835**	29,242	21,878
Net income for the year	**69,279**	60,182	40,622
Earnings per share *(note 15)*			
Basic	**1.52**	1.34	1.02
Diluted	**1.50**	1.31	0.99

See accompanying notes

Consolidated Statements of Shareholders' Equity and Comprehensive Income

(In thousands of Canadian dollars, except shares outstanding)	Shares Outstanding *(note 12)* #	Share Capital *(note 12)* $	Contributed Surplus *(note 12)* $	Deferred Stock Compensation $	Retained Earnings $	Accumulated Other Comprehensive Income (AOCI) *(note 13)* $	Total $
Balance, December 31, 2004	37,742,170	87,656	2,544	-	117,874	(19,018)	189,056
Comprehensive income:							
Net income					40,622		40,622
Currency translation adjustments						(6,557)	(6,557)
Total comprehensive income					40,622	(6,557)	34,065
Share options exercised for cash	240,140	961					961
Stock-based compensation expense			963	(833)			130
Shares repurchased under normal course issuer bid	(13,600)	(33)	(1)		(161)		(195)
Shares issued on acquisition	6,657,552	123,365					123,365
Reclassification of fair value of share options previously expensed		159	(159)				-
Restricted shares issued on acquisition			2,175				2,175
Share issue costs		(1,504)					(1,504)
Balance, December 31, 2005	44,626,262	210,604	5,522	(833)	158,335	(25,575)	348,053
Retained earnings and AOCI					132,760		
Balance, December 31, 2005	44,626,262	210,604	5,522	(833)	158,335	(25,575)	348,053
Comprehensive income:							
Net income					60,182		60,182
Currency translation adjustments						731	731
Total comprehensive income					60,182	731	60,913
Share options exercised for cash	607,080	1,865					1,865
Stock-based compensation expense			1,078	583			1,661
Shares repurchased under normal course issuer bid	(51,600)	(243)	(6)		(767)		(1,016)
Reclassification of fair value of share options previously expensed		239	(239)				-
Shares issued on vesting of restricted shares	20,043	316	(897)				(581)
Balance, December 31, 2006	45,201,785	212,781	5,458	(250)	217,750	(24,844)	410,895
Retained earnings and AOCI					192,906		
Balance, December 31, 2006	45,201,785	212,781	5,458	(250)	217,750	(24,844)	410,895
Change in accounting policy (note 1)						481	481
Balance, January 1, 2007, as adjusted	45,201,785	212,781	5,458	(250)	217,750	(24,363)	411,376
Comprehensive income:							
Net income					69,279		69,279
Currency translation adjustments						(45,669)	(45,669)
Unrealized gains on financial assets						1,249	1,249
Realized gains transferred to net income						(245)	(245)
Total comprehensive income					69,279	(44,665)	24,614
Share options exercised for cash	386,598	1,920					1,920
Stock-based compensation expense			1,919	140			2,059
Shares repurchased under normal course issuer bid	(9,200)	(44)	(1)		(249)		(294)
Shares issued on acquisition	96,925	3,426					3,426
Reclassification of fair value of share options previously expensed		443	(443)				-
Shares issued on vesting of restricted shares	22,035	264	(667)				(403)
Balance, December 31, 2007	45,698,143	218,790	6,266	(110)	286,780	(69,028)	442,698
Retained earnings and AOCI					217,752		

See accompanying notes

Consolidated Statements of Cash Flows

Years ended December 31 *(In thousands of Canadian dollars)*	**2007** **$**	2006 $	2005 $
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Cash receipts from clients	**940,085**	816,846	637,391
Cash paid to suppliers	**(259,493)**	(221,056)	(200,445)
Cash paid to employees	**(565,803)**	(467,766)	(355,621)
Dividends from equity investments	**450**	450	550
Interest received	**6,496**	6,292	6,531
Interest paid	**(4,271)**	(7,665)	(6,551)
Income taxes paid	**(33,656)**	(37,588)	(28,882)
Income taxes recovered	**3,691**	3,876	4,341
Cash flows from operating activities *(note 16)*	**87,499**	93,389	57,314
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired *(note 2)*	**(105,353)**	(12,181)	(100,383)
Restricted cash used for acquisitions	**1,073**	19,793	9,000
Increase in investments held for self-insured liabilities	**(3,786)**	(4,355)	(7,295)
Proceeds on disposition of investments	**51**	9	522
Collection of notes receivable from disposition of Technology and Design Build segments	**-**	-	406
Purchase of property and equipment	**(27,291)**	(18,920)	(17,005)
Proceeds on disposition of property and equipment	**134**	104	155
Cash flows used in investing activities	**(135,172)**	(15,550)	(114,600)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Repayment of long-term debt	**(78,514)**	(85,612)	(46,875)
Proceeds from long-term borrowings	**117,049**	9,142	95,929
Repayment of acquired bank indebtedness *(note 2)*	**(6,282)**	(1,787)	-
Repurchase of shares for cancellation *(note 12)*	**(294)**	(1,016)	(195)
Share issue costs *(note 12)*	**-**	-	(1,969)
Proceeds from issue of share capital *(note 12)*	**1,920**	1,865	961
Cash flows from (used in) financing activities	**33,879**	(77,408)	47,851
Foreign exchange loss on cash held in foreign currency	**(394)**	(211)	(312)
Net increase (decrease) in cash and cash equivalents	**(14,188)**	220	(9,747)
Cash and cash equivalents, beginning of the year	**28,363**	28,143	37,890
Cash and cash equivalents, end of the year	**14,175**	28,363	28,143

See accompanying notes

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Stantec Inc. (the Company) is a provider of comprehensive professional services in the area of infrastructure and facilities for clients in the public and private sectors. The Company's services include planning, engineering, architecture, interior design, landscape architecture, surveying and geomatics, environmental sciences, and project economics.

Generally accepted accounting principles

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP). These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below. The effects of differences between the application of Canadian GAAP and US GAAP on the financial statements of the Company are described in note 22.

Changes in accounting policies

a) Financial instruments, equity, and comprehensive income. Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, "Financial Instruments—Recognition and Measurement"; Section 1530, "Comprehensive Income"; and Section 3251, "Equity." These pronouncements further align Canadian GAAP with US GAAP and International Financial Reporting Standards (IFRS) and require the following:

- Financial assets are classified as loans or receivables, held to maturity, held for trading, or available for sale. Held-to-maturity classification is restricted to fixed maturity instruments that the Company intends and is able to hold to maturity, and these instruments are accounted for at amortized cost. Held-for-trading instruments are recorded at fair value, with realized and unrealized gains and losses reported in net income. The remaining financial assets are classified as available for sale. These assets are recorded at fair value, with accumulated unrealized gains and losses reported in a new category of the consolidated balance sheets under shareholders' equity called "Accumulated Other Comprehensive Income" until the financial asset is disposed of, at which time the realized gains and losses are recognized in net income. Changes in fair value from reporting period to reporting period are recorded in "Other Comprehensive Income."

- Financial liabilities are classified as either held for trading or other. Held-for-trading instruments are recorded at fair value, with realized and unrealized gains and losses reported in net income. Other instruments are accounted for at amortized cost, with related gains and losses reported in net income.

- Derivatives are classified as held for trading unless designated as hedging instruments. All derivatives are recorded at fair value on the consolidated balance sheets (note 20).

As a result of adopting these standards, the Company classified its financial instruments as follows:

- Cash and cash equivalents and restricted cash are classified as financial assets held for trading.

- Accounts receivable net of allowance for doubtful accounts are classified as receivables.

- Investments held for self-insured liabilities are classified as financial assets available for sale.

- Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities.

In accordance with the provisions of these new standards, accumulated other comprehensive income is included on the Company's consolidated balance sheets as a separate component of shareholders' equity. Accumulated other comprehensive income includes, on a net of tax basis, net unrealized gains and losses on available-for-sale financial assets and unrealized foreign currency translation gains and losses on self-sustaining foreign operations. On January 1, 2007, in accordance with transitional provisions, unrealized foreign currency translation losses on self-sustaining foreign operations were reclassified from the cumulative translation account to accumulated other comprehensive income. Prior periods presented were also restated to reflect this reclassification.

The impact of recording investments held for self-insured liabilities at fair value on January 1, 2007, in accordance with transitional provisions was to increase other assets by approximately $493,000, increase opening accumulated other comprehensive income by approximately $481,000 (after-tax), and increase future income tax liabilities by $12,000. Accumulated other comprehensive income decreased by the $24,800,000 balance previously reported in the cumulative translation account. These transition adjustments did not affect net income or basic or diluted earnings per share. Prior period consolidated financial statements were not restated except for the presentation of the cumulative translation account.

b) Accounting changes. Effective January 1, 2007, the Company adopted the new CICA Handbook Section 1506, "Accounting Changes." This section establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and the correction of errors. It includes the disclosure, on an interim and annual basis, of a description and the impact on the Company's financial results of any new primary source of Canadian GAAP that has been issued but is not yet effective. The adoption of this new section did not have an effect on the Company's financial position or on the results of its operations.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these consolidated financial statements include the percentage of completion of fixed-fee and variable-fee-with-ceiling contracts, provisions for losses on incomplete contracts, allowances for doubtful accounts receivable, provision for legal claims, provision for self-insured liabilities, the fair value of stock-based awards, the fair value of identifiable intangible assets acquired in business acquisitions, liabilities for lease exit activities, and future cash flows used to estimate the fair value of reporting units for goodwill impairment purposes. Actual results may differ from these estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the Company, its subsidiary companies, and all variable interest entities for which the Company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated. The results of the operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

Joint ventures and partnerships are accounted for on the proportionate consolidation basis, which results in the Company recording its pro rata share of the assets, liabilities, revenues, and expenses of each of these entities.

Cash and cash equivalents

Cash and cash equivalents include cash and unrestricted investments with initial maturities of three months or less. Such investments are carried at fair value.

Investments

Investments in associated companies over which the Company is able to exercise significant influence, but not control, are accounted for using the equity method, which reflects the Company's investment at original cost plus its share of earnings (losses) net of dividends received. These investments include Teshmont Consultants Inc. (50%), SSBV Consultants Inc. (33.3%), and Planning & Stantec Limited (50%).

Other investments, including investments held for self-insured liabilities, are recorded at fair value. When a loss in the value of such investments occurs that is other than temporary, the cumulative loss that had been recognized in other comprehensive income is removed from accumulated other comprehensive income and recognized in net income.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is calculated at annual rates designed to write off the costs of assets over their estimated useful lives as follows:

Engineering equipment	20–30%	declining balance
Business information systems		straight-line over 3 to 5 years
Office equipment	20–30%	declining balance
Automotive equipment	30%	declining balance
Leasehold improvements		straight-line over term of lease to a maximum of 15 years or the improvement's economic life
Buildings	4–5%	declining balance

Leases

Leases that transfer substantially all the risks and benefits of ownership of assets to the Company are accounted for as capital leases. Assets under capital leases are recorded at the inception of the lease together with the related long-term obligation to reflect the purchase and financing thereof. Rental payments under operating leases are expensed evenly over the lease term.

From time to time, the Company enters into or renegotiates premises operating leases that result in the receipt of lease inducement benefits. These benefits are accounted for as a reduction of rental expense over the terms of the associated leases. As well, from time to time, the Company enters into or renegotiates premises operating leases that include escalation clauses. The scheduled rent increases pursuant to lease escalation clauses are recognized on a straight-line basis over the lease term.

Goodwill and intangible assets

The cost of intangible assets with finite lives is amortized over the period in which the benefits of such assets are expected to be realized, principally on a straight-line basis. The Company's policy is to amortize client relationships with determinable lives over periods ranging from 10 to 15 years. Contract backlog is amortized over estimated contractual lives of generally less than one and a half years. Other intangible assets include technology, non-compete agreements, and advantageous leasehold commitments, which are amortized over estimated lives of 3 to 11 years. Goodwill is not amortized but is evaluated annually for impairment by comparing the fair value of the reporting unit, determined on a discounted after-tax cash flow basis, to the carrying value. An impairment loss would be recognized if the carrying value of the goodwill were to exceed its fair value.

Long-lived assets

The Company monitors the recoverability of long-lived assets, including property and equipment and intangible assets with finite lives, employing factors such as expected future asset utilization, business climate, and future undiscounted cash flows expected to result from the use of the related assets. An impairment loss would be recognized if the carrying value of a long-lived asset were to exceed its fair value.

Accrual and investments held for self-insured liabilities

The Company self-insures certain risks related to professional liability and automobile physical damages. The accrual for self-insured liabilities includes estimates of the costs of reported claims (including potential claims that are probable of being asserted) and is based on estimates of loss using assumptions made by management, including

consideration of actuarial projections. The accrual for self-insured liabilities does not include unasserted claims where assertion by a third party is not probable.

The Company invests funds to support the accrual for self-insured liabilities. These investments are classified in other assets as investments held for self-insured liabilities.

Forward contracts

The Company may enter into forward currency exchange contracts to manage risk associated with net operating assets denominated in US dollars. The Company's policy is not to use derivative financial instruments for trading or speculative purposes. These derivative contracts, which are not accounted for as hedges, are recognized at fair value, and any changes in the fair value are recorded in net income when the changes occur. The fair value of such instruments is recorded as either accounts receivable or payable.

Non-interest-bearing debt

Non-interest-bearing debt is carried at its amortized cost using the effective interest rate method.

Fair value of financial instruments

The fair value of a financial instrument on initial recognition is normally the transaction price, which is the value of the consideration given or received. Transaction costs on financial instruments are expensed when incurred. Purchases and sales of financial assets are accounted for at trade dates. Subsequent to initial recognition, the fair values of financial instruments are based on the bid prices in quoted active markets for financial assets and on the ask prices for financial liabilities. The fair values of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts because of the short-term maturity of these instruments. The carrying amount of bank loans approximates its fair value because the applicable interest rate is based on variable reference rates. The carrying values of other financial assets and financial liabilities approximate their fair values except as otherwise disclosed in the financial statements.

Credit risk

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, investments held for self-insured liabilities, and accounts receivable. The risk associated with its investment in bonds is mitigated through the overall quality and mix of its bond portfolio. The Company maintains an allowance for estimated credit losses. It provides services to diverse clients in various industries and sectors of the economy, and its credit risk is not concentrated in any particular client, industry, economic, or geographic sector.

Interest rate risk

The Company is subject to interest rate cash flow risk to the extent that its credit facilities are based on floating rates of interest. In addition, the Company is subject to interest rate pricing risk to the extent that its investments held for self-insured liabilities contain fixed-rate government and corporate bonds. The Company has not entered into any derivative agreements to mitigate these risks.

Revenue recognition

In the course of providing its services, the Company incurs certain direct costs for subconsultants and other expenditures that are recoverable directly from clients. These direct costs are included in the Company's gross revenue. Since such direct costs can vary significantly from contract to contract, changes in gross revenue may not be indicative of the Company's revenue trends. Accordingly, the Company also reports net revenue, which is gross revenue less subconsultant and other direct expenses.

Revenue from fixed-fee and variable-fee-with-ceiling contracts is recognized using the percentage of completion method. Contract revenue is recognized on the ratio of contract costs incurred to total estimated costs. Provisions for estimated losses on incomplete contracts are made in the period in which the losses are determined. Revenue from time-and-material contracts without stated ceilings and from short-term projects is recognized as costs are incurred. Revenue is calculated based on billing rates for the services performed. Costs and estimated earnings in excess of billings represents work in progress that has been recognized as revenue but not yet invoiced to clients. Billings in excess of costs and estimated earnings represents amounts that have been invoiced to clients but not yet recognized as revenue. Revenue does not include taxes collected from clients that are reimbursable to government authorities.

Employee benefit plans

The Company contributes to group retirement savings plans and an employee share purchase plan based on the amount of employee contributions subject to maximum limits per employee. The Company accounts for defined contributions as an expense in the period in which the contributions are made. The Company does not provide postemployment or postretirement benefits.

Foreign currency translation

Transactions denominated in a foreign currency and the financial statements of foreign subsidiaries (excluding US-based subsidiaries) included in the consolidated financial statements are translated as follows: monetary items at the rate of exchange in effect at the balance sheet date; non-monetary items at historical exchange rates; and revenue and expense items (except depreciation and amortization, which are translated at historical exchange rates) at the average exchange rate for the month. Any resulting realized and unrealized gains or losses are included in income in the year incurred, except for unrealized foreign exchange gains and losses on investments held for self-insured liabilities, which are included in other comprehensive income since they are classified as available for sale.

The Company's US-based subsidiaries are designated as self-sustaining operations. The financial statements of these subsidiaries are translated using the current rate method. Under this method, assets and liabilities are translated at the rate of exchange in effect at the balance sheet date, and revenue and expense items (including depreciation and amortization) are translated at the average rate of exchange for the month. The resulting unrealized exchange gains and losses on US-based subsidiaries are included as a separate component of shareholders' equity in accumulated other comprehensive income.

Stock-based compensation and other stock-based payments

The Company has one share option plan (described in note 12) and accounts for grants under this plan in accordance with the fair value-based method of accounting for stock-based compensation. Compensation expense for stock options awarded under the plan is measured at the fair value at the grant date using the Black-Scholes valuation model and is recognized over the vesting period of the options granted. The Company estimates its forfeiture rate in order to determine its compensation expense arising from stock-based awards. In years prior to January 1, 2002, the Company recognized no compensation expense when shares or stock options were issued.

Income taxes

The Company uses the liability method to account for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and the tax bases of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when these differences are expected to reverse.

Earnings per share

Basic earnings per share is computed based on the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed using the treasury stock method, which assumes that the cash that would be received on the exercise of options is applied to purchase shares at the average price during the year and that the difference between the shares issued on the exercise of options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding. The impact of outstanding restricted shares, on a weighted average basis, is also added to the number of shares outstanding. Antidilutive options are not considered in computing diluted earnings per share.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on its accounts receivable. The Company uses estimates in arriving at its allowance for doubtful accounts that are based on the age of the outstanding accounts receivable and on its historical collection and loss experience.

Recent accounting pronouncements

a) Financial instruments—disclosure and presentation. In November 2006, the CICA issued the new handbook Section 3862, “Financial Instruments—Disclosures,” and Section 3863, “Financial Instruments—Presentation,” effective for fiscal years beginning on or after October 1, 2007. These pronouncements further aligned Canadian GAAP with US GAAP and IFRS. Early adoption of these recommendations is permitted. Section 3862 requires companies to provide disclosures in their financial statements that enable users to evaluate a) the significance of financial instruments for their financial position and performance and b) the nature and extent of risks arising from

financial instruments to which they are exposed during the period and at the balance sheet date and how they manage those risks. Section 3863 establishes standards for the presentation of financial instruments. It addresses the classification of financial instruments between liabilities and equity; the classification of related interest, dividends, and losses and gains; and the circumstances in which financial assets and financial liabilities are offset. The adoption of these new standards is not expected to have a material effect on the Company's financial position or on the results of its operations.

b) Capital disclosures. In November 2006, the CICA released the new handbook Section 1535, "Capital," effective for fiscal years beginning on or after October 1, 2007. This section establishes standards for disclosing information about a company's capital and how it is managed in order that a user of the company's financial statements may evaluate its objectives, policies, and processes for managing capital. The adoption of this new standard is not expected to have a material effect on the Company's financial position or on the results of its operations.

c) International financial reporting standards. The CICA plans to converge Canadian GAAP for public companies with IFRS over a transition period that is expected to end in 2011. The Company has not yet determined the impact of the CICA's plan on its consolidated financial statements.

2. Business Acquisitions

Acquisitions are accounted for under the purchase method of accounting, and the results of operations since the respective dates of acquisition are included in the consolidated statements of income. From time to time, as a result of the timing of acquisitions in relation to the Company's reporting schedule, certain of the purchase price allocations may not be finalized at the initial time of reporting. Purchase price allocations are completed after the vendors' final financial statements and income tax returns have been prepared and accepted by the Company. Such preliminary purchase price allocations are based on management's best estimates of the fair value of the acquired assets and liabilities. Upon finalization, adjustments to the initial estimates may be required, and these adjustments may be material.

The purchase prices of acquisitions may be subject to price adjustment clauses included in the purchase agreements. At each balance sheet date, these purchase price adjustment clauses are reviewed and may result in an increase or reduction to the promissory note consideration recorded at acquisition to reflect either more or less non-cash working capital than was originally recorded.

As at December 31, 2007, additional consideration, specified in certain purchase agreements, may be payable based on future performance parameters. This contingent consideration is recognized as an adjustment to goodwill in the period in which the contingency is resolved. In some cases, the dollar amount of the contingent consideration is determinable and written in the purchase agreement but is still not recorded until the contingency is resolved. As at December 31, 2007, there was $300,000 (December 31, 2006 – nil) contingent consideration of this nature.

In the case of some acquisitions, additional payments may be made to the employees of an acquired company that are based on their continued service over an agreed period of time. These additional payments are not included in the purchase price. They are expensed as compensation as services are provided by the employees.

Acquisitions in 2007

On March 9, 2007, the Company acquired the net assets and business of Nicolson Tamaki Architects Inc. for cash consideration and promissory notes. This acquisition supplemented the Company's architecture services in British Columbia, Canada.

On April 2, 2007, the Company acquired the partnership interest and business of Vollmer Associates LLP for cash consideration and promissory notes. The acquisition of this firm, headquartered in New York City, strengthened the Company's engineering, architecture, planning, landscape architecture, and survey services in the transportation sector in the eastern United States.

On April 2, 2007, the Company acquired the net assets and business of Land Use Consultants, Inc. for cash consideration. This acquisition supplemented the Company's operations in Portland, Maine, and expanded its planning and landscape architecture services in the northern New England region.

On May 18, 2007, the Company acquired the net assets and business of Geller DeVellis Inc., a firm based in Boston, Massachusetts, for cash consideration. This acquisition strengthened the Company's planning, landscape architecture, and civil engineering design capabilities and presence in the New England region.

On August 31, 2007, the Company acquired the shares and business of Trico Engineering Consultants, Inc. for cash consideration and promissory notes. This acquisition strengthened the Company's civil engineering, surveying, landscape architecture, and planning capabilities in Charleston, South Carolina, and expanded the depth of its services throughout the southeastern United States.

On September 14, 2007, the Company acquired the shares and business of Chong Partners Architecture, Inc. for cash consideration and promissory notes. This acquisition, headquartered in San Francisco with additional offices in Sacramento and San Diego, enhanced the Company's architecture presence in the United States, particularly in California, and provided a foundation for further expansion of its American achitecture practice.

On October 1, 2007, the Company acquired the shares and business of Woodlot Alternatives, Inc. for cash consideration and promissory notes. The addition of this firm, which specializes in natural resource assessment, permitting, and environmental engineering, strengthened the Company's presence in Maine and New England.

On October 19, 2007, the Company acquired the shares and business of Neill and Gunter, Incorporated; Neill and Gunter Limited; and Neill and Gunter (Nova Scotia) Limited for cash consideration, promissory notes, and Stantec common shares. The number of common shares issued (96,925) as consideration was based on the average of the closing price of the Stantec common shares on the Toronto Stock Exchange for five trading days around the acquisition date. These acquisitions brought greater depth to the Company's industrial practice, enhanced its operations in New England, and provided access to a new market in Atlantic Canada.

On November 16, 2007, the Company acquired the net assets and business of Moore Paterson Architects Inc. for cash consideration and promissory notes. This acquisition strengthened the Company's architecture, planning, and project management services on Vancouver Island and the Lower Mainland of British Columbia.

On November 23, 2007, the Company acquired the shares and business of Murphy Hilgers Architects Inc., Brentcliffe Financial Service Inc., and Dekko Studio Inc. for cash consideration and promissory notes. This acquisition expanded the Company's operations in Toronto, Ontario, and added further depth to its expertise in designing health care, judicial, and retail/commercial facilities.

On December 31, 2007, the Company acquired the shares and business of Fuller, Mossbarger, Scott & May Engineers, Inc. and Leestown Leasing, L.L.C. for cash consideration and promissory notes. This acquisition created a presence in Kentucky, Ohio, Missouri, and Indiana and brought geotechnical engineering capabilities to the Company. In addition, it added expertise in several specialty engineering areas, including dams, levees, and underwater structures, which complemented the Company's existing services and enhanced its water resources capabilities.

During 2007, the Company adjusted the purchase price on the Dunlop Architects Inc. (2004), CPV Group Architects & Engineers Ltd. (2005), Keen Engineering Co. Ltd. (2005), Carinci Burt Rogers Engineering, Inc. (2006), Dufresne-Henry, Inc. (2006), ACEx Technologies, Inc. (2006), Vollmer Associates LLP (2007), Chong Partners Architecture, Inc. (2007), and Trico Engineering Consultants, Inc. (2007) acquisitions pursuant to price adjustment clauses included in the purchase agreements. These adjustments impacted non-cash working capital.

During 2007, the purchase price allocations for the Dufresne-Henry, Inc., ACEx Technologies, Inc., Nicolson Tamaki Architects Inc., and Land Use Consultants, Inc. acquisitions were finalized. The purchase price allocations for the Vollmer Associates LLP, Geller DeVellis Inc., Trico Engineering Consultants, Inc., Chong Partners Architecture, Inc., Woodlot Alternatives, Inc., Neill and Gunter companies, Moore Paterson Architects Inc., Murphy Hilgers Architects Inc., Brentcliffe Financial Service Inc., Dekko Studio Inc., Fuller, Mossbarger, Scott & May Engineers, Inc., and Leestown Leasing, L.L.C. acquisitions have not been finalized. The Company expects to finalize the purchase price allocations for Vollmer Associates LLP during the first quarter of 2008; the purchase price allocations for Geller DeVellis Inc. during the second quarter of 2008; the purchase price allocations for Trico Engineering Consultants, Inc., Chong Partners Architecture, Inc., and Woodlot Alternatives, Inc. during the third quarter of 2008; and the purchase price allocations for the Neill and Gunter companies, Moore Paterson Architects Inc., Murphy Hilgers Architects Inc., and Fuller, Mossbarger, Scott & May Engineers, Inc. during the fourth quarter of 2008.

Acquisitions in 2006

On March 6, 2006, the Company acquired the shares and business of Carinci Burt Rogers Engineering, Inc. for cash consideration and promissory notes. This acquisition supplemented the Company's buildings engineering capabilities and presence in the Greater Toronto Area.

On April 14, 2006, the Company acquired the shares and business of Dufresne-Henry, Inc. for cash consideration and promissory notes. Along with complementing the Company's New York operations, this acquisition expanded its services into four new states in New England and created an initial platform for growth in Florida. Dufresne-Henry, Inc.'s staff added to the Company's professional services in engineering, planning, environmental sciences, and landscape architecture.

On May 12, 2006, the Company acquired the shares and business of ACEx Technologies, Inc. for cash consideration and promissory notes. This acquisition complemented the Company's services in the areas of transit, rail and power communications, and control systems engineering and added new locations in Oakland, California, and Irving, Texas.

During 2006, the Company adjusted the purchase price on the Dunlop Architects Inc. (2004), CPV Group Architects & Engineers Ltd. (2005), Keen Engineering Co. Ltd. (2005), Carinci Burt Rogers Engineering, Inc. (2006), Dufresne-Henry, Inc. (2006), and ACEx Technologies, Inc. (2006) acquisitions pursuant to price adjustment clauses included in the purchase agreements.

Aggregate consideration paid

Details of the aggregate consideration given and of the fair values of net assets acquired or adjusted for are as follows:

(In thousands of Canadian dollars)	**Total 2007 $**	Total 2006 $
Cash consideration	**109,955**	13,321
Share consideration	**3,426**	-
Promissory notes	**41,199**	6,308
Purchase price	**154,580**	19,629
Assets and liabilities acquired at fair values		
Cash acquired	**4,602**	1,140
Bank indebtedness assumed	**(6,282)**	(1,787)
Non-cash working capital	**20,151**	12,294
Property and equipment	**17,025**	3,078
Investments	**12**	-
Goodwill	**114,017**	8,306
Intangible assets		
Client relationships	**8,933**	1,219
Contract backlog	**4,298**	388
Other	**2,914**	101
Other long-term liabilities	**(1,933)**	(2,146)
Long-term debt	**(6,486)**	(551)
Future income taxes	**(2,671)**	(2,413)
Net assets acquired	**154,580**	19,629

Of the goodwill and intangible assets resulting from acquisitions completed in 2007, $35,936,000 (2006 – nil) is deductible for income tax purposes.

At the time of acquisition, management estimates the exit costs of consolidating or closing offices occupied by the acquired entity. These costs are accrued in other long-term liabilities as part of the purchase price allocation (note 9).

Pro forma data (unaudited)

The following unaudited pro forma data presents information as if the acquisitions of Nicolson Tamaki Architects Inc.; Vollmer Associates LLP; Land Use Consultants, Inc.; Geller DeVellis Inc.; Trico Engineering Consultants, Inc.; Chong Partners Architecture, Inc.; Woodlot Alternatives, Inc.; the Neill and Gunter companies; Moore Paterson Architects Inc.; Murphy Hilgers Architects Inc.; Brentcliffe Financial Service Inc.; Dekko Studio Inc.; Fuller, Mossbarger, Scott & May Engineers, Inc.; Leestown Leasing, L.L.C.; Carinci Burt Rogers Engineering, Inc.; Dufresne-Henry, Inc.; and ACEx Technologies, Inc. had occurred on January 1, 2006. This unaudited pro forma data is provided for information purposes only and is based on historical information. This unaudited pro forma data does not necessarily reflect the actual results of operations that would have occurred if these acquired entities and Stantec Inc. had comprised a single entity during the periods since January 1, 2006, nor is it necessarily indicative of the future results of the operations of the combined entities.

(In thousands of Canadian dollars, except per share amounts) (Unaudited)	**2007** **$**	2006 $
Pro forma gross revenue	**1,148,659**	1,123,390
Pro forma net revenue	**954,909**	931,108
Pro forma net income	**75,860**	67,389
Basic pro forma earnings per share	**1.66**	1.50
Diluted pro forma earnings per share	**1.64**	1.47

3. Property and Equipment

	2007		2006	
(In thousands of Canadian dollars)	**Cost** **$**	**Accumulated Depreciation** **$**	Cost $	Accumulated Depreciation $
Engineering equipment	**60,295**	**31,689**	48,783	27,454
Business information systems	**18,055**	**10,675**	13,755	7,097
Office equipment	**30,151**	**15,288**	25,315	12,760
Automotive equipment	**7,952**	**4,433**	6,765	3,850
Leasehold improvements	**35,774**	**7,185**	20,240	4,244
Buildings	**5,446**	**1,114**	5,574	913
Land	**867**	**-**	895	-
	158,540	**70,384**	121,327	56,318
Net book value	**88,156**		65,009	

Included in leasehold improvements is construction work in progress in the amount of $2,845,000 (2006 – $292,000) on which depreciation has not started.

4. Goodwill

(In thousands of Canadian dollars)	**2007** **$**	2006 $
Goodwill, beginning of the year	**251,491**	242,674
Current year acquisitions	**112,892**	6,618
Contingent consideration payments	**199**	-
Purchase price adjustments	**926**	1,688
Impact of foreign exchange	**(32,586)**	511
Goodwill, end of the year	**332,922**	251,491

5. Intangible Assets

(In thousands of Canadian dollars)	2007 Gross Carrying Amount $	2007 Accumulated Amortization $	2006 Gross Carrying Amount $	2006 Accumulated Amortization $
Client relationships	**32,023**	**6,525**	26,140	4,692
Contract backlog	**4,583**	**564**	4,316	3,587
Other	**3,369**	**598**	948	306
	39,975	**7,687**	31,404	8,585
Carrying amount	**32,288**		22,819	

Once an intangible asset is fully amortized, the gross carrying amount and related accumulated amortization are removed from the accounts. Other than goodwill, the Company has not recorded any intangible assets with indefinite lives. For intangible assets held as of December 31, 2007, the estimated aggregate amortization expense for each of the next five years and thereafter is as follows:

(In thousands of Canadian dollars)		$
	2008	7,612
	2009	3,534
	2010	3,415
	2011	3,325
	2012	3,238
	Thereafter	11,164
		32,288

6. Other Assets

(In thousands of Canadian dollars)	2007 $	2006 $
Investments held for self-insured liabilities	**28,913**	22,720
Investments in associated companies	**1,187**	1,347
Investments – other	**701**	823
Holdbacks on long-term contracts	**2,583**	2,278
Other	**4,491**	1,676
	37,875	28,844
Less current portion of investments held for self-insured liabilities	**13,002**	8,228
	24,873	20,616

Investments held for self-insured liabilities consist of government and corporate bonds and equity securities. These investments are classified as available for sale and are stated at fair value as at December 31, 2007. Fair values at December 31, 2006, were not reflected on the consolidated balance sheet (note 1).

The fair value of the bonds at December 31, 2007, was $20,024,000 (2006 – $15,458,000), and the fair value of the equities was $8,889,000 (2006 – $7,755,000). The amortized cost of the bonds at December 31, 2007, was $19,949,000 (2006 – $15,589,000), and the cost of the equities was $7,449,000 (2006 – $7,131,000). The bonds bear interest at rates ranging from 2.9 to 7.0% per annum (2006 – 2.9 to 7.0%). The term to maturity of the bond portfolio, stated at fair value, is $3,694,000 (2006 – $1,854,000) due within one year, $15,445,000 (2006 – $11,600,000) due from two to five years, and $885,000 (2006 – $2,004,000) due from six to 10 years.

7. Accounts Payable and Accrued Liabilities

(In thousands of Canadian dollars)	**2007** **$**	2006 $
Trade accounts payable	**40,155**	26,188
Employee and payroll liabilities	**83,621**	63,771
Accrued liabilities	**31,244**	17,173
	155,020	107,132

8. Long-Term Debt

(In thousands of Canadian dollars)	**2007** **$**	2006 $
Non-interest-bearing note payable	**147**	134
Other notes payable	**43,872**	7,935
Bank loan	**52,069**	8,158
	96,088	16,227
Less current portion	**21,549**	4,181
	74,539	12,046

The non-interest-bearing note payable is due November 1, 2027, in the amount of $933,000. The note's carrying value of $147,000 is determined using a discount rate of 9.75%. If the non-interest-bearing note payable were discounted at interest rates in effect at December 31, 2007, the fair value of the note would be $233,000 (2006 – $203,000).

The carrying values of the other notes payable have been calculated using a weighted average rate of interest of 4.95% and may be supported by promissory notes. The notes are due at various times from 2008 to 2011. The aggregate maturity value of the notes is $43,976,000 (2006 – $8,154,000). As at December 31, 2007, $24,849,000 (2006 – $1,357,000) of the notes' carrying value was payable in US funds (2007 – US$24,633,000; 2006 – US$1,164,000). The carrying value of the other notes payable approximates their fair value based on interest rates in effect at December 31, 2007.

The Company has a revolving credit facility in the amount of $160 million that expires on August 31, 2010. This facility is available for acquisitions, working capital needs, capital expenditures, and general corporate purposes. Depending on the form under which the credit facility is accessed, rates of interest will vary between Canadian prime, US base rate, or LIBOR or bankers' acceptance rates plus 65 or 85 basis points. As at December 31, 2007, $49,069,350 of the bank loan was payable in US funds (US$49,500,000) and $3,000,000 in Canadian funds. As at December 31, 2006, $8,158,000 of the bank loan was payable in US funds (US$7,000,000). Loans may be repaid under the credit facility from time to time at the option of the Company. The average interest rate applicable at December 31, 2007, was 5.51% (2006 – 6.00%). The credit facility agreement contains restrictive covenants, including, but not limited to, debt to earnings ratio and earnings to debt service ratio. The Company was in compliance with all the covenants under this agreement as at and throughout the year ended December 31, 2007. All

the assets of the Company are held as collateral under a general security agreement for the bank loan. Subsequent to December 31, 2007, the Company was successful in reaching an agreement to increase the limit of the revolving credit facility from $160 million to $250 million (note 23).

The funds available under the revolving credit facility are reduced by any outstanding letters of credit. At December 31, 2007, the Company had issued and outstanding letters of credit totaling $141,000 (2006 – $1,058,000) payable in Canadian funds and $1,321,000 (US$1,332,000) (2006 – $891,000, US$764,000) payable in US funds that expire at various dates before January 2009. These letters of credit were issued in the normal course of operations, including the guarantee of certain office rental obligations. At December 31, 2007, $106,469,000 was available in the revolving credit facility for future activities.

As at December 31, 2007, the Company had an additional $475,000 (US $479,000) in letters of credit outstanding that were assumed from certain acquisitions completed in 2007. During 2007, the Company entered into a US$4 million surety facility to facilitate, as part of the normal course of operations, the issuance of bonds for certain types of project work. As at December 31, 2007, $50,000 (US$50,000) in bonds had been issued under this credit facility.

The principal repayments required on long-term debt in each of the next five years and thereafter are as follows:

(In thousands of Canadian dollars)		$
	2008	21,549
	2009	17,107
	2010	57,219
	2011	66
	2012	-
	Thereafter	147
		96,088

The interest incurred on long-term debt in 2007 was $2,444,000 (2006 – $2,612,000; 2005 – $2,000,000). In 2007 total interest expense, net of interest income, was $1,594,000 (2006 – $1,892,000; 2005 – $571,000).

9. Other Liabilities

(In thousands of Canadian dollars)	**2007** **$**	2006 $
Provision for self-insured liabilities	**17,659**	16,041
Deferred gain on sale leaseback	**5,749**	6,187
Lease inducement benefits	**16,191**	10,499
Liabilities on lease exit activities	**4,112**	2,833
Liability for uncertain tax positions	**1,412**	-
Other	**3,220**	2,333
	48,343	37,893
Less current portion included in accrued liabilities	**5,434**	4,332
	42,909	33,561

Provision for self-insured liabilities

The Company self-insures a portion of its estimated liabilities that may arise in connection with reported legal claims (note 11). This provision for self-insured liabilities is based on the results of an actuarial review performed in 2007 and 2006, with the current and long-term portion determined based on the actuarial estimate. At December 31, 2007, the long-term portion was $16,225,000 (2006 – $14,492,000).

(In thousands of Canadian dollars)	**2007** **$**	2006 $
Provision, beginning of the year	**16,041**	11,346
Current year provision	**6,153**	6,329
Payment for claims settlement	**(2,822)**	(2,087)
Impact of foreign exchange	**(1,713)**	453
Provision, end of the year	**17,659**	16,041

The self-insured liability increased during 2007 primarily due to new claims incurred and reported since the end of 2006. The timing of claim settlement payments is dependent upon the resolution of case-specific matters and may extend over several months or years.

Deferred gain on sale leaseback

In 2004 the Company completed the sale of its office building in Edmonton, Alberta, (included in buildings and land) for cash proceeds of $34,500,000. Concurrent with the sale, the Company leased the property back for a period of 15 years. The lease is accounted for as an operating lease. The resulting gain of $7,103,000 was deferred and is being amortized over the lease term.

Liabilities on lease exit activities

Charges are accrued when management closes offices in existing operations or finalizes plans to downsize offices in locations assumed from an acquiree upon a business acquisition. Included in the liability is the present value of the remaining lease payments, reduced by estimated sublease rentals that can reasonably be obtained.

(In thousands of Canadian dollars)	**2007** **$**	2006 $
Liability, beginning of the year	**2,833**	2,251
Current year provision:		
Established for existing operations	**989**	96
Resulting from acquisitions	**740**	2,146
Costs paid or otherwise settled	**(1,522)**	(1,649)
Adjustments to purchase price allocation	**1,193**	-
Impact of foreign exchange	**(121)**	(11)
Liability, end of the year	**4,112**	2,833

10. Commitments

Commitments for annual basic premises rent under long-term leases and for equipment and vehicle operating leases for the next five years and thereafter are as follows:

(In thousands of Canadian dollars)	$
2008	49,829
2009	45,689
2010	40,604
2011	34,555
2012	29,803
Thereafter	98,678
	299,158

The premises rental expense for the year ended December 31, 2007, was $41,113,000 (2006 – $35,724,000; 2005 – $29,282,000).

11. Contingencies and Guarantees

In the normal conduct of operations, various legal claims are pending against the Company alleging, among other things, breaches of contract or negligence in connection with the performance of consulting services. The Company carries professional liability insurance, subject to certain deductibles and policy limits, and has a captive insurance company that provides insurance protection against such claims. In some cases, parties are seeking damages that substantially exceed the Company's insurance coverage. Based on advice and information provided by legal counsel, the Company's previous experience with the settlement of similar claims, and the results of the annual actuarial review, management believes that the Company has recognized adequate provisions for probable and reasonably estimable liabilities associated with these claims and that their ultimate resolutions will not materially exceed insurance coverages or have a material adverse effect on the Company's consolidated financial position or annual results of operations. Management cannot estimate the extent to which losses exceeding those already recorded in the financial statements may be incurred.

In the normal course of business, the Company provides indemnifications and, in very limited circumstances, surety bonds. These are often standard contractual terms and are provided to counterparties in transactions such as purchase and sale contracts for assets or shares, service agreements, and leasing transactions. The Company also indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law. These indemnifications may require the Company to compensate the counterparty for costs incurred as a result of various events, including changes in or in the interpretation of laws and regulations, or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnifications will vary based upon the contract, the nature of which prevents the Company from making a reasonable estimate of the maximum potential amount that it could be required to pay to counterparties. The Company carries liability insurance, subject to certain deductibles and policy limits, that provides protection against certain insurable indemnifications. Historically, the Company has not made any significant payments under such indemnifications, and no amounts have been accrued in the accompanying consolidated financial statements with respect to these indemnifications.

12. Share Capital

Authorized

Unlimited	Common shares, with no par value
Unlimited	Preferred shares issuable in series with attributes designated by the Board of Directors

Common shares

During 2007, 9,200 common shares (2006 – 51,600; 2005 – 13,600) were repurchased for cancellation pursuant to an ongoing normal course issuer bid at a cost of $294,000 (2006 – $1,016,000; 2005 – $195,000). Of this amount, $44,000 and $1,000 (2006 – $243,000 and $6,000; 2005 – $33,000 and $1,000) reduced the share capital and contributed surplus accounts, respectively, with $249,000 (2006 – $767,000; 2005 – $161,000) being charged to retained earnings.

During 2007 and 2006, the Company did not incur any share issue costs. During 2005, the Company incurred share issue costs of $1,969,000 less a future tax recovery of $465,000.

During 2007, the Company recognized a stock-based compensation expense of $3,452,000 (2006 – $2,224,000; 2005 – $1,814,000) in administrative and marketing expenses. Of the amount expensed, $1,919,000 related to the fair value of options granted (2006 – $1,078,000; 2005 – $963,000), $1,416,000 related to deferred share unit compensation (2006 – $576,000; 2005 – $519,000), and $117,000 related to the restricted shares issued on the Keith acquisition (2006 – $570,000; 2005 – $332,000). The fair value of options granted was reflected through

contributed surplus; the deferred share unit compensation was reflected through accrued liabilities; and the restricted shares were reflected through deferred stock compensation. Upon the exercise of share options for which a stock-based compensation expense has been recognized, the cash paid together with the related portion of contributed surplus is credited to share capital. Upon the vesting of restricted shares for which a stock-based compensation expense has been recognized, the related portion of contributed surplus is credited to share capital.

On May 4, 2006, the shareholders of the Company approved the subdivision of its issued common shares on a two-for-one basis, effective for registered common shares at the close of business on May 19, 2006. All references to common shares, per share amounts, and stock-based compensation plans in these consolidated financial statements have been restated to reflect the stock split on a retroactive basis.

Share options

Under the Company's share option plan, options to purchase common shares may be granted by the Board of Directors to officers and employees. Options are granted at exercise prices equal to or greater than fair market value at the issue date, generally vest evenly over a three-year period, and have contractual lives that range from seven to 10 years. The aggregate number of common shares reserved for issuance that may be purchased upon the exercise of options granted pursuant to the plan shall not exceed 4,514,126 common shares. At December 31, 2007, 2,181,732 options were available for issue.

The Company has granted share options to officers and employees to purchase 1,751,022 shares at prices between $7.25 and $30.61 per share. These options expire on dates between October 9, 2009, and August 17, 2014.

	2007		2006		2005	
	Shares #	**Weighted Average Exercise Price $**	Shares #	Weighted Average Exercise Price $	Shares #	Weighted Average Exercise Price $
Share options, beginning of the year	**1,702,784**	**11.92**	1,876,528	6.94	2,142,666	6.67
Granted	**467,500**	**30.61**	471,000	20.40	-	-
Exercised	**(386,598)**	**4.97**	(607,080)	3.07	(240,140)	4.00
Forfeited	**(31,664)**	**18.69**	(35,664)	12.59	(25,998)	11.85
Cancelled	**(1,000)**	**20.42**	(2,000)	10.50	-	-
Share options, end of the year	**1,751,022**	**18.32**	1,702,784	11.92	1,876,528	6.94

The options held by officers and employees at December 31, 2007, were as follows:

Options Outstanding				Options Exercisable		
Range of Exercise Prices $	Outstanding #	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price $	Shares Exercisable #	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price $
7.25 – 9.42	260,800	2.11	7.93	260,800	2.11	7.93
10.50 – 13.55	592,054	3.87	11.68	532,054	3.74	11.47
20.37 – 20.42	430,668	5.65	20.39	138,342	5.65	20.39
30.61	467,500	6.63	30.61	-	-	-
7.25 – 30.61	1,751,022	4.78	18.32	931,196	3.57	11.80

The fair value of options granted subsequent to January 1, 2002, is determined at the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including expected share price volatility.

The estimated fair value of options granted both at the share market price on the grant date and in excess of the share market price on the grant date was determined using the weighted average assumptions indicated below. No options were granted in 2005.

	2007	2006
	Granted at Market	Granted at Market
Risk-free interest rate (%)	**4.31**	4.05
Expected hold period to exercise (years)	**5.5**	6.0
Volatility in the price of the Company's shares (%)	**27.5**	29.4
Weighted average fair value per option ($)	**10.65**	7.59

The expected volatility was based on the historical volatility of the Company's shares over a period commensurate with the expected term of the share option. The risk-free interest rate for the expected life of the options was based on the yield available on government bonds, with an approximate equivalent remaining term at the time of the grant. Historical data was used to estimate the expected life of the option.

A summary of the status of the Company's non-vested options as of December 31, 2007, and of changes in the year are as follows:

	Number of Shares Subject to Option #	Weighted Average Grant Date Fair Value $
Non-vested, beginning of the year	680,664	6.29
Granted	467,500	10.65
Vested	(296,674)	5.67
Forfeited	(31,664)	6.89
Non-vested share options, end of the year	819,826	8.98

As of December 31, 2007, 819,826 options remained unvested, and a total unrecognized compensation cost of $5,339,000 related to the Company's share option plans. This cost is expected to be recognized over a weighted average period of 2.25 years.

For all outstanding options at December 31, 2007, the aggregate intrinsic value was $36.0 million. For fully vested share options and share options expected to vest at December 31, 2007, the aggregate intrinsic value was $34.7 million. For options exercisable at December 31, 2007, the intrinsic value at December 31, 2007, was $25.2 million. The total intrinsic value of options exercised during the years ended December 31, 2007, 2006, and 2005, was $8.2 million, $9.8 million, and $2.7 million, respectively.

Deferred share units

Under the Company's deferred share unit plan, outside directors of the Company may receive deferred share units equal to one common share. Upon death or retirement, deferred share units are paid out to the directors in the form of cash and valued at the market price of the Company's common shares on the last trading day of the month of death or retirement. Deferred share units cannot be paid in the form of Company shares. In 2007, $450,000 deferred share units were paid (2006 – $159,000; 2005 – nil). These units are recorded at fair value based on the current market price of the Company's common shares. As at December 31, 2007, 56,000 units were outstanding (2006 – 48,000; 2005 – 40,000).

Restricted shares

In 2005 the former shareholders of Keith received restricted shares in connection with the acquisition of Keith. These restricted shares vest over a period ending April 1, 2008. Upon the vesting of restricted shares, common shares are issued. As at December 31, 2007, 5,792 restricted shares were outstanding (2006 – 55,666; 2005 – 117,392).

13. Accumulated Other Comprehensive Income

(In thousands of Canadian dollars)	**Cumulative Translation Adjustments** $	**Unrealized Gains on Financial Assets** $	**Realized Gains Transferred to Net Income** $	**Total** $
Balance, December 31, 2004	(19,018)	-	-	(19,018)
Current period activity	(6,557)	-	-	(6,557)
Balance, December 31, 2005	(25,575)	-	-	(25,575)
Balance, December 31, 2005	(25,575)	-	-	(25,575)
Current period activity	731	-	-	731
Balance, December 31, 2006	(24,844)	-	-	(24,844)
Balance, December 31, 2006	**(24,844)**	-	-	**(24,844)**
Change in accounting policy *(note 1)*	-	**481**	-	**481**
Balance, January 1, 2007, as adjusted	**(24,844)**	**481**	-	**(24,363)**
Current period activity	**(45,669)**	**1,280**	**(249)**	**(44,638)**
Income tax effect	-	**(31)**	**4**	**(27)**
Balance, December 31, 2007	**(70,513)**	**1,730**	**(245)**	**(69,028)**

The foreign currency cumulative translation adjustments represent the unrealized gain or loss on the Company's net investment in self-sustaining US-based operations. The change in the cumulative translation adjustments during the year relates to the fluctuation in the value of the Canadian dollar relative to the US dollar. Balance sheet accounts denominated in US dollars have been translated to Canadian dollars at the rate of 0.9913 (December 31, 2006 – 1.1654; 2005 – 1.1630).

14. Income Taxes

The effective income tax rate in the consolidated statements of income differs from statutory Canadian tax rates as a result of the following:

	2007 **%**	2006 %	2005 %
Income tax expense at statutory Canadian rates	**33.6**	34.1	34.8
Increase (decrease) resulting from:			
Income from associated companies	**(0.1)**	(0.1)	(0.1)
Rate differential on foreign income	**(0.9)**	1.1	0.7
Non-deductible expenses:			
Meals and entertainment	**0.9**	0.9	1.1
Stock-based compensation	**-**	0.3	0.5
Non-taxable foreign income net of non-creditable withholding taxes	**(3.2)**	(2.9)	(1.6)
Other	**(0.2)**	(0.7)	(0.4)
	30.1	32.7	35.0

Since the Company operates in several tax jurisdictions, its income is subject to various rates of taxation. The details of income before income taxes are as follows:

(In thousands of Canadian dollars)	**2007** **$**	2006 $	2005 $
Domestic	**101,433**	79,109	61,323
Foreign	**(2,319)**	10,315	1,177
Total income before income taxes	**99,114**	89,424	62,500

The details of the income tax expense (recovery) are as follows:

(In thousands of Canadian dollars)	**2007** **$**	2006 $	2005 $
Current: Domestic	**34,179**	25,766	21,172
Foreign	**815**	5,718	563
Total current expense	**34,994**	31,484	21,735
Future: Domestic	**(1,598)**	725	5
Foreign	**(3,561)**	(2,967)	138
Total future expense	**(5,159)**	(2,242)	143
Total: Domestic	**32,581**	26,491	21,177
Foreign	**(2,746)**	2,751	701
Total income tax expense	**29,835**	29,242	21,878

Significant components of the Company's future income tax assets and liabilities are as follows:

(In thousands of Canadian dollars)	**2007 $**	2006 $
Future income tax assets		
Differences in timing of deductibility of expenses	**18,101**	12,599
Loss carryforwards	**4,171**	4,199
Share issue and other financing costs	**220**	347
Tax cost of property and equipment in excess of carrying value	**451**	332
Deferred gain on sale of building	**1,224**	1,359
Other	**1,215**	859
	25,382	19,695
Less current portion	**13,308**	9,711
	12,074	9,984

(In thousands of Canadian dollars)	**2007 $**	2006 $
Future income tax liabilities		
Cash to accrual adjustments on acquisitions of US subsidiaries	**4,285**	2,512
Differences in timing of taxability of revenues	**6,804**	10,463
Carrying value of property and equipment in excess of tax cost	**10,422**	7,970
Carrying value of intangible assets in excess of tax cost	**9,945**	8,822
Other	**1,012**	742
	32,468	30,509
Less current portion	**11,750**	12,236
	20,718	18,273

At December 31, 2007, loss carryforwards of approximately $6,931,000 (2006 – $3,541,000) are available to reduce the taxable income of certain Canadian subsidiaries. These losses expire as set out below:

(In thousands of Canadian dollars)		$
	2010	315
	2014	502
	2015	18
	2026	1,251
	2027	4,845
		6,931

In addition, the Company has federal loss carryforwards of approximately $7,187,000 (2006 – $6,262,000) that are available to reduce the taxable income of certain US subsidiaries and that expire at varying times over the next 20 years.

The potential income tax benefits that will result from the application of Canadian and US tax losses have been recognized in these consolidated financial statements.

15. Earnings Per Share

The number of basic and diluted common shares outstanding, as calculated on a weighted average basis, is as follows:

	2007 **#**	2006 #	2005 #
Basic shares outstanding	**45,577,261**	45,068,266	39,840,234
Share options (dilutive effect of 1,751,022 options; 2006 – 1,702,784; 2005 – 1,876,528)	**630,280**	648,430	1,067,584
Restricted shares (dilutive effect of 5,792 restricted shares; 2006 – 55,666; 2005 – 117,392)	**19,156**	74,813	34,414
Diluted shares outstanding	**46,226,697**	45,791,509	40,942,232

16. Cash Flows From (Used In) Operating Activities

Cash flows from operating activities determined by the indirect method are as follows:

(In thousands of Canadian dollars)	**2007** **$**	2006 $	2005 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year	**69,279**	60,182	40,622
Add (deduct) items not affecting cash:			
Depreciation of property and equipment	**19,038**	15,604	12,389
Amortization of intangible assets	**3,702**	6,132	2,542
Future income tax	**(5,159)**	(2,242)	143
Loss (gain) on dispositions of investments and property and equipment	**(1,085)**	(1,238)	562
Stock-based compensation expense	**3,452**	2,224	1,814
Provision for self-insured liability	**6,153**	6,329	8,244
Other non-cash items	**(2,135)**	(994)	(1,332)
Share of income from equity investments	**(292)**	(285)	(187)
Dividends from equity investments	**450**	450	550
	93,403	86,162	65,347
Change in non-cash working capital accounts:			
Accounts receivable	**20,848**	(14,117)	15,748
Costs and estimated earnings in excess of billings	**(25,067)**	23,029	(19,572)
Prepaid expenses	**1,715**	(269)	487
Accounts payable and accrued liabilities	**(11,106)**	(3,958)	(1,177)
Billings in excess of costs and estimated earnings	**3,485**	4,590	1,664
Income taxes payable/recoverable	**4,221**	(2,048)	(5,183)
	(5,904)	7,227	(8,033)
Cash flows from operating activities	**87,499**	93,389	57,314

17. Joint Ventures

The Company participates in joint ventures with other parties as follows:

	Percentage Owned		
	2007	2006	2005
	%	%	%
yyC.T. Joint Venture	**17**	17	20
Stantec – S&L Partnership	**50**	50	50
Edmonton International Airports Joint Venture	**33**	33	33
Pine Creek Consultants Joint Venture	**n/a**	33	33
Dunlop Joint Ventures	**33–68**	33–80	33–80
Stantec Architecture Ltd./J.L. Richards & Associates Joint Venture	**50**	50	50
Stantec /Parkin Joint Venture	**67**	-	-
Faulkner Brown/Chong Joint Venture	**50**	-	-
Smith/Chong Joint Venture	**50**	-	-
Coleson Power Joint Venture	**50**	-	-
Accent Engineering Consultants, Inc. Joint Venture	**40**	-	-
FFEB Joint Venture	**30**	-	-

In 2004, as part of the acquisition of Dunlop Architects Inc. (Dunlop), the Company acquired the interest of 13 joint ventures entered into by Dunlop, with 11 remaining active at December 31, 2006. In 2007, with the acquisition of Murphy Hilgers Architects Inc., four of the 11 joint ventures became 100% owned by the Company, leaving seven of the joint ventures originally entered into by Dunlop active as at December 31, 2007.

As at December 31, 2007, the Company has five active joint ventures—Faulkner Brown/Chong Joint Venture, Smith/Chong Joint Venture, Coleson Power Joint Venture, Accent Engineering Consultants, Inc. Joint Venture, and FFEB Joint Venture—that were acquired in the year as part of the acquisition of Chong Partners Architecture, Inc., Neill and Gunter Limited, Neill and Gunter (Nova Scotia) Limited, and Fuller, Mossbarger, Scott & May Engineers, Inc.

A summary of the assets, liabilities, revenues, expenses, and cash flows included in the consolidated financial statements related to joint ventures is as follows:

	2007	2006	2005
(In thousands of Canadian dollars)	**$**	$	$
Statement of income			
Gross revenue	**4,464**	4,451	5,941
Subconsultant and other direct expenses	**3,912**	4,612	5,072
Administrative and marketing expenses	**129**	75	147
Net income (loss) for the year	**423**	(236)	722
Balance sheets			
Current assets	**5,536**	2,086	3,743
Current liabilities	**4,867**	1,800	2,842
Statement of cash flows			
Cash flows from (used in) operating activities	**(493)**	173	(488)

18. Segmented Information

The Company provides comprehensive professional services in the area of infrastructure and facilities throughout North America and internationally. The Company considers the basis on which it is organized, including geographic areas and service offerings, in identifying its reportable segments. Operating segments of the Company are defined as components of the Company for which separate financial information is available and is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker is the chief executive officer of the Company, and the Company's operating segments are based on its regional geographic areas.

The Company has three operating segments, which are aggregated into the Consulting Services reportable segment.

Geographic information	**Property and Equipment, Goodwill, Intangible Assets**	
(In thousands of Canadian dollars)	**2007** **$**	2006 $
Canada	**154,404**	106,497
United States	**298,470**	232,387
International	**492**	435
	453,366	339,319

Geographic information	**Gross Revenue**		
(In thousands of Canadian dollars)	**2007** **$**	2006 $	2005 $
Canada	**539,349**	461,281	380,471
United States	**405,195**	348,055	233,428
International	**10,075**	6,797	4,121
	954,619	816,133	618,020

Gross revenue is attributed to countries based on the location of the work performed.

Practice area information	**Gross Revenue**		
(In thousands of Canadian dollars)	**2007** **$**	2006 $	2005 $
Consulting Services			
Buildings	**211,801**	184,254	147,432
Environment	**175,936**	149,376	103,353
Industrial	**138,977**	94,806	67,834
Transportation	**143,140**	106,026	90,559
Urban Land	**284,765**	281,671	208,842
	954,619	816,133	618,020

Customers

The Company has a large number of clients in various industries and sectors of the economy. Gross revenue is not concentrated in any particular client.

19. Employee Future Benefits

In 2007 the Company recorded an expense of $13,863,000 (2006 – $11,567,000; 2005 – $8,436,000) for contributions made to defined contribution plans in the year.

20. Financial Instruments—Forward Contracts

As at December 31, 2007, the Company had entered into a foreign currency forward contract that provided for the purchase of US$34.1 million at the rate of 0.9804 per US dollar. As at December 31, 2006, the Company had entered into a foreign currency forward contract that provided for the sale of US$4.5 million at the rate of 1.1608 per US dollar. These derivative financial instruments were entered into to mitigate foreign currency fluctuation risk on net operating assets or liabilities denominated in US dollars. The fair value of these contracts, estimated using market rates at December 31, 2007, resulted in a gain of $371,145, (2006 – loss of $19,167). The unrealized gains and losses relating to these derivative financial instruments were recorded in foreign exchange gains.

21. Investment Tax Credits

Investment tax credits arising from qualifying scientific research and experimental development efforts pursuant to existing tax legislation are recorded as a reduction of the applicable administrative and marketing expenses when there is reasonable assurance of their ultimate realization. Investment tax credits of $1,662,000 (2006 – $500,000; 2005 – $1,239,000) were recorded and reduced administrative and marketing expenses.

22. US GAAP

The consolidated financial statements of the Company are prepared in Canadian dollars in accordance with accounting principles generally accepted in Canada that, in most respects, conform to accounting principles generally accepted in the United States. The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with US GAAP. Investments in joint ventures are accounted for using the equity method under US GAAP, whereas Canadian GAAP requires the proportionate consolidation method. As permitted by the SEC, disclosure of the effect of this difference is not required.

a) Other disclosure requirements

i) Net income and comprehensive income

There are no identifiable material items that would result in a change in net income presented under Canadian GAAP and US GAAP.

Comprehensive income is measured in accordance with Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130). This standard defines comprehensive income as all changes in equity other than those resulting from investments by owners and distributions to owners and includes adjustments arising on the translation of self-sustaining foreign operations. As well, under US GAAP, comprehensive income includes the difference between the recorded and fair value of the Company's investments held for self-insured liabilities since these investments are classified as available for sale (note 6). Effective January 1, 2007, the Company is required to provide similar disclosure under Canadian GAAP, on a prospective basis, in the consolidated statements of shareholders' equity and comprehensive income as described in note 1.

Statement of Comprehensive Income

(In thousands of Canadian dollars)	2006 $	2005 $
Net income under Canadian and US GAAP	**60,182**	40,622
Other comprehensive income, net of tax:		
Unrealized foreign exchange gain (loss) on translation of self-sustaining foreign operations	**731**	(6,557)
Unrealized gains on financial assets	**217**	227
Comprehensive Income	**61,130**	34,292
Accumulated other comprehensive income, beginning of the year	**(25,311)**	(18,981)
Unrealized foreign exchange gain (loss) on translation of self-sustaining foreign operations	**731**	(6,557)
Unrealized gains on financial assets	**217**	227
Accumulated other comprehensive income, end of the year	**(24,363)**	(25,311)

ii) Allowance for doubtful accounts

(In thousands of Canadian dollars)	2007 $	2006 $	2005 $
Balance, beginning of the year	**6,303**	10,423	21,095
Provision for doubtful accounts	**17,221**	6,681	1,706
Deductions	**(11,275)**	(11,061)	(12,163)
Impact of foreign exchange	**(1,741)**	260	(215)
Balance, end of the year	**10,508**	6,303	10,423

Comparative figures have been restated to eliminate allowances from accounts receivables assumed from acquired companies. Accounts receivables assumed from acquired companies are recognized at their fair value at the time of acquisition.

iii) Liabilities for uncertain tax positions

The Company files income tax returns in the Canadian federal jurisdiction, US federal jurisdiction, and various provinces, states, and foreign jurisdictions. With few exceptions, the Company is no longer subject to Canadian and US corporate income taxes or income tax examinations by the tax authorities of other foreign jurisdictions for years before 2002.

(In thousands of Canadian dollars)	2007 $
Opening balance upon adoption of accounting policy	**1,243**
Additions based on tax positions related to the current year	**96**
Additions based on tax positions related to the prior year	**218**
Impact of foreign exchange	**(145)**
Balance, end of year	**1,412**

The Company's policy is to recognize interest and penalties relating to liabilities for unrecognized tax benefits in interest expense. The liability for interest and penalties relating to unrecognized tax benefits is recorded in accrued liabilities. During the year ended December 31, 2007, the Company recognized approximately $942,000 ($585,000 net of tax) in interest and penalties. A significant portion of the interest and penalties recognized in 2007 related to a

preacquisition Internal Revenue Service (IRS) audit. The Company had approximately $1,362,000 ($882,000 net of tax) for the payment of interest and penalties accrued at December 31, 2007.

Approximately $1,194,000 of unrecognized tax benefits, if recognized, would impact the Company's effective tax rate.

During the next 12 months, it is reasonably possible that the Company's unrecognized tax benefits may change as a result of the following:

- The Company expects to settle a preacquisition IRS audit within the next 12 months. The significant item under review is the recognition of costs and estimated earnings in excess of billings for income tax purposes.

- The Company expects to receive Notices of Assessment from the Canada Revenue Agency within the next 12 months with respect to its 2006 claim for scientific research and experimental development efforts.

As a result of implementing the Financial Accounting Standards Board (FASB) Interpretation No. 48 on January 1, 2007, the Company reclassified the uncertain tax benefit from future income taxes, and there was no impact on retained earnings. The amount of unrecognized tax benefits as of the date of adoption was $1,243,000.

b) Recent accounting pronouncements

Stock-based compensation

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS 123R), effective for the first interim or annual financial statements beginning on or after June 15, 2005. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in financial statements based on their fair values. The Company recognizes share-based payments at fair value for options granted subsequent to January 1, 2002, using the Black-Scholes option-pricing model. The Company has adopted SFAS 123R using the modified-prospective transition method. The adoption of the modified-prospective transition method has resulted in no additional share option expense being recognized as part of the reconciliation of Canadian and US GAAP disclosures in these consolidated financial statements.

Uncertainty in income taxes

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—An Interpretation of FAS Statement No. 109" (FIN 48), effective for fiscal years beginning on or after December 15, 2006. FIN 48 creates a single model for addressing the accounting for uncertainty in tax positions. It also clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in financial statements. In addition, this interpretation provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted FIN 48 as of January 1, 2007, as required. The adoption of this pronouncement had no material effect on the Company's financial position or results of operations.

Fair value measurements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157), effective for fiscal years beginning after November 15, 2007. SFAS 157 establishes a framework for measuring fair value under US GAAP and requires additional disclosure. The statement defines a fair value hierarchy, with the highest priority being quoted prices in active markets. Under this statement, fair value measurements are disclosed by level within the hierarchy. This standard does not require any new fair value measurements. The Company is currently considering the impact of the adoption of this standard on its consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment to FASB Statement No. 115" (SFAS 159), effective for fiscal years beginning after November 15, 2007, although early adoption is permitted. SFAS 159 allows an entity to choose to measure certain financial instruments and other items at fair value that are not currently required to be measured at fair value. At each subsequent reporting period, unrealized gains and losses would be reported in earnings on items for which the fair value option has been elected. The adoption of this standard is not expected to have an effect on the Company's financial position or results of operations.

Business combinations

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, "Business Combinations" (SFAS 141R), effective for fiscal years beginning after December 15, 2008. This pronouncement changes the accounting for business combinations in a number of areas. SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree, and the goodwill acquired. The statement also establishes disclosure requirements that will enable users of the financial statements to evaluate the nature and financial effects of the business combination. Although the Company is currently considering the impact of the adoption of this standard on its consolidated financial statements, it will be limited to any future acquisitions beginning in fiscal 2009.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51" (SFAS 160), effective for fiscal years beginning after December 15, 2008. SFAS 160 changes the accounting and reporting for ownership interests in subsidiaries held by parties other than the parent. These non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, SFAS 160 establishes standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. It also establishes reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Company is currently considering the impact of the adoption of this standard on its consolidated financial statements.

23. Subsequent Events

Acquisitions

On January 2, 2008, the Company acquired the shares and business of R.D. Zande. The acquisition of this firm strengthens the Company's operations in the midwestern United States and increases the depth of its service offerings to public sector clients in the environment sector. R.D. Zande provides services mainly in water and wastewater treatment facility design, environmental management, and transportation, as well as complementary services in planning, landscape architecture, surveying, and land development.

On January 2, 2008, the Company acquired the net assets and business of Rochester Signal, Inc. The addition of this firm supplements the transit-related services offered by the Company's Rochester, New York, office. Rochester Signal, Inc. provides signal design, construction management, installation, and testing services, along with engineering support for the development of all types of rail systems, from main and commuter lines to rapid transit and light rail.

On February 1, 2008, the Company acquired the shares and business of SII Holdings, Inc. (Secor). The acquisition of this firm significantly increases the Company's service offerings in the environment sector. Secor provides expertise in downstream marketing remedial services to the US energy industry, as well as comprehensive environmental remediation services to the manufacturing, chemical, pulp and paper, and transportation industries.

R.D. Zande, Rochester Signal, Inc., and Secor were acquired for an aggregate cash consideration of $67,027,000 and promissory notes of $10,692,000.

Revolving credit facility

On January 22, 2008, the Company reached an agreement to increase the limit of its existing revolving credit facility from $160 million to $250 million. Depending on the form under which the credit facility is accessed and on the Company's debt to earnings ratio, rates of interest will vary between Canadian prime, US base rate, or LIBOR or bankers' acceptance rates plus 65, 85, or 125 basis points. The agreement also includes a provision for access to an additional $50 million under the same terms and conditions upon approval from the lenders.

24. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

Board of Directors

Aram Keith
Irvine, California
Vice Chairman of the Board, Stantec Inc.

Robert J. Bradshaw [2]
Toronto, Ontario
Chairman, Contor Industries Limited

Robert R. Mesel [1]
Kiawah Island, South Carolina
Corporate Director

Anthony P. Franceschini
Edmonton, Alberta
President & CEO, Stantec Inc.

William D. Grace [1, 2]
Edmonton, Alberta
Corporate Director

Susan E. Hartman [2]
Rochester, New York
President and Owner, The Hartman Group

Ivor Ruste [1]
Calgary, Alberta
Executive Vice President and Chief Risk Officer, EnCana Corporation

Ronald P. Triffo
Edmonton, Alberta
Chairman of the Board, Stantec Inc.

[1] Audit Committee
[2] Corporate Governance and Compensation Committee

Officers

Ronald P. Triffo
Chairman

Anthony P. Franceschini
President & CEO

Mark Jackson
Senior Vice President & COO

Donald W. Wilson
Senior Vice President & CFO

Jeffrey S. Lloyd
Vice President & Secretary

Shareholder Information

Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta

Auditors

Ernst & Young LLP
Chartered Accountants
Edmonton, Alberta

Principal Bank

Canadian Imperial Bank of Commerce

Securities Exchange Listing

Stantec shares are traded on the TSX under the symbol STN and on the NYSE under the symbol SXC.

Investor Relations

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Annual Meeting

May 1, 2008
11:00 AM MDT
Enterprise Square
10230 Jasper Avenue
Edmonton, Alberta
Canada

Stantec

Printed in Canada.

AR91

Global Expertise
Local Delivery
Powered by People

Stantec Inc.
2007 Business Review

Contents

Stantec

Founded in 1954, Stantec provides professional design and consulting services in planning, engineering, architecture, surveying, economics, and project management. Continually striving to balance economic, environmental, and social responsibilities, we are recognized as a world-class leader and innovator in the delivery of sustainable solutions. We support public and private sector clients in a diverse range of markets in the infrastructure and facilities sector at every stage, from initial concept and financial feasibility to project completion and beyond.

In simple terms, the world of Stantec is the water we drink, the roadways we travel, the buildings we visit, the industries in which we work, and the neighborhoods we call home.

Our services are offered through approximately 8,000 employees operating out of more than 100 locations in North America. Stantec trades on the TSX under the symbol STN and on the NYSE under the symbol SXC.

Stantec is **One Team** providing **Infinite Solutions.**

STRATEGY

Our vision is to be a top 10 global design firm.

Our strategy is to manage risk by

- Diversifying our operations through a focused, three-dimensional business model
- Serving many clients on many projects
- Taking on little or no construction risk
- Positioning our Company among the top three service providers in our geographic regions and practice areas

Business Model

Focused on the infrastructure and facilities sector, our business model is based on providing services across diverse geographic regions, distinct but complementary practice areas, and all phases of the infrastructure project life cycle. This three-dimensional, sustainable approach ensures that we do not have to depend on any single geographic region, practice area, or life cycle phase for our business, thus helping us mitigate risk while continuing to increase our revenue and earnings.

Stantec leaders (*left to right*): Eric Nielsen, senior vice president and regional operating unit leader, US West; Mark Jackson, senior vice president and chief operating officer; Tino DiManno, senior vice president and regional operating unit leader, Canada; Rich Allen, senior vice president and regional operating unit leader, US East.

Geographic Diversification

We currently operate in three broad geographic regions—Canada, the US East, and the US West—made up of 20 smaller subregions. In total, we have offices in eight provinces and 33 states. We also have offices in Barbados, Panama, and Puerto Rico and undertake projects in selected areas around the world.

Practice Area Specialization

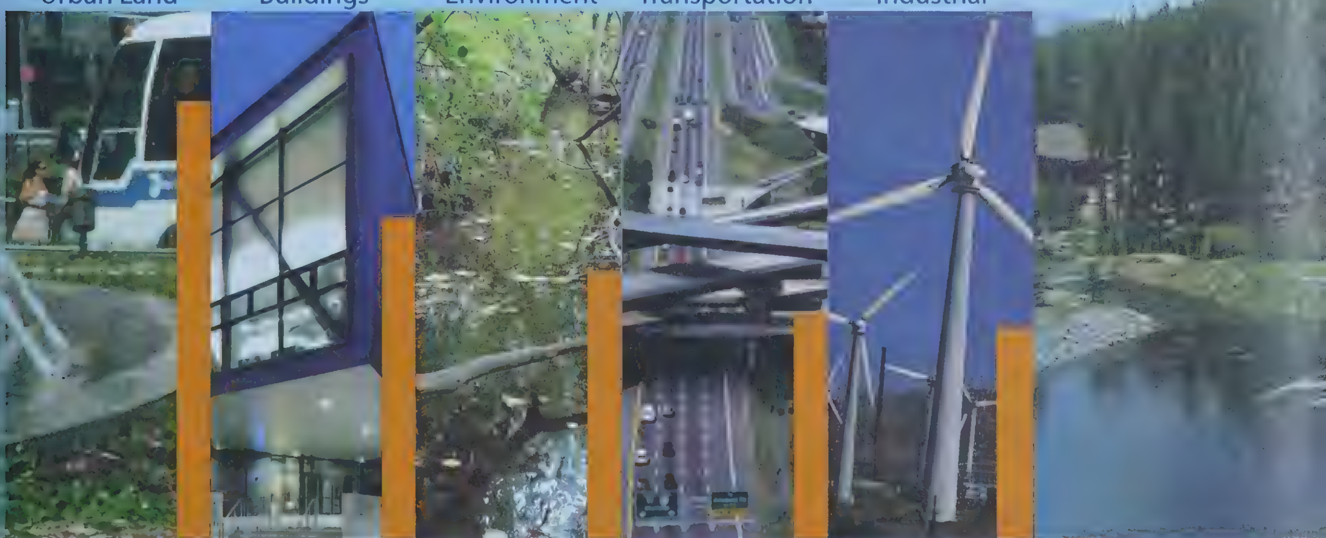
We provide services in 15 distinct specialist practice areas grouped into five broad categories—Buildings, Environment, Industrial, Transportation, and Urban Land.

Life Cycle Solutions

We offer specialized services during the five infrastructure project life cycle phases—planning, design, construction, maintenance, and decommissioning.

Practice Area Gross Revenue 2007 (In millions of C$)

Urban Land	Buildings	Environment	Transportation	Industrial
$284.8	$211.8	$175.9	$143.1	$139.0



Financial Summary

In thousands of Canadian dollars, except per share amounts and ratios	**2007**	2006	2005	2004	2003
Gross revenue	**954,619**	816,133	618,020	520,879	459,942
Net revenue	**830,888**	707,927	524,552	449,151	391,396
Income before taxes	**99,114**	89,424	62,500	44,660	39,628
Net income	**69,279**	60,182	40,622	30,190	25,070
Current assets	**323,248**	264,551	280,371	208,755	177,629
Current liabilities	**232,697**	159,695	157,814	126,755	127,047
Property and equipment	**88,156**	65,009	58,519	48,262	67,670
Long-term debt	**74,539**	12,046	81,886	21,155	31,159
Shareholders' equity	**442,698**	410,895	348,053	189,056	160,528
Gross revenue backlog	**831,000**	685,000	588,000	380,000	310,380
Net cash (bank indebtedness) position	**14,175**	28,363	28,143	37,890	(9,808)
Earnings per share – basic	**1.52**	1.34	1.02	0.82	0.68
Earning per share – diluted	**1.50**	1.31	0.99	0.79	0.66
Current ratio	**1.39**	1.66	1.78	1.65	1.40
Debt to equity ratio	**0.19**	(0.03)	0.17	(0.02)	0.34
Weighted average number of shares outstanding	**45,577,261**	45,068,266	39,840,234	36,999,196	36,659,920
Shares outstanding	**45,698,143**	45,201,785	44,626,262	37,742,170	36,654,568
Shares traded	**34,463,255**	24,864,000	17,911,000	11,471,000	10,326,000
TSX *(In Canadian dollars)*					
High [(2)]	**39.31**	25.84	20.20	14.70	11.74
Low [(2)]	**23.70**	18.50	12.25	10.18	7.25
Close	**38.89**	25.25	19.88	13.24	11.05
NYSE[(1)] *(In US dollars)*					
High [(2)]	**39.64**	22.55	17.25	-	-
Low [(2)]	**20.10**	16.33	14.70	-	-
Close	**39.02**	21.74	17.05	-	-

All references to common shares and per share amounts in this financial summary have been restated to reflect the two-for-one stock split approved on May 4, 2006.

[(1)] Stantec began trading on the New York Stock Exchange (NYSE) on August 5, 2005.

[(2)] High and low prices for the common shares on the Toronto Stock Exchange (TSX) and NYSE during the 52 weeks ended December 31, 2007, shown above, are the intraday prices.

54
years of uninterrupted profitability

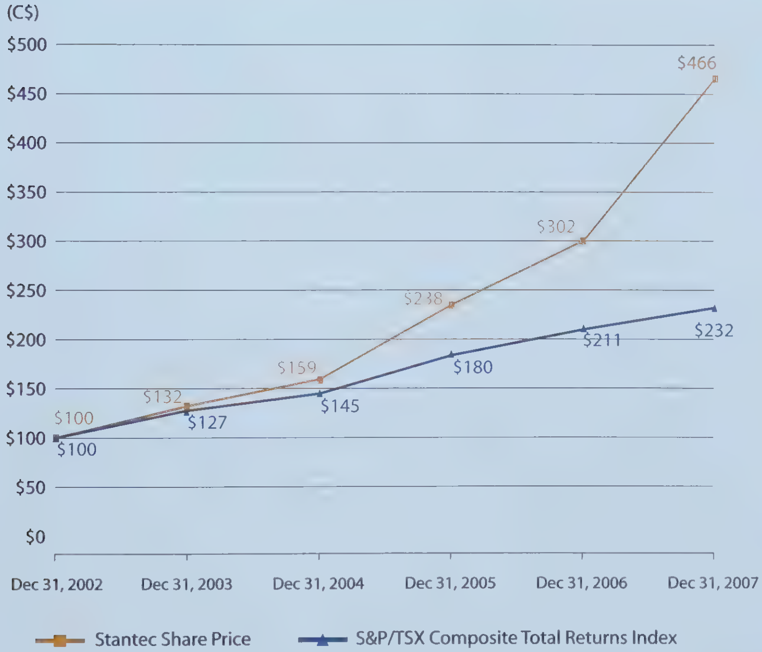
16.4%
return on equity

11
acquisitions in 2007

2007 Financial Highlights

- Increased our gross revenue 17.0 percent to $954.6 million from $816.0 million in 2006, approaching our 10-year goal of achieving $1 billion in revenue in 2008
- Continued to be profitable, with net revenue increasing 17.4 percent to $830.9 million, net income increasing 15.1 percent to $69.3 million, and diluted earnings per share increasing 14.5 percent to $1.50
- Increased our consolidated revenue backlog to $831 million in 2007 compared to $685 million in 2006
- Increased our total staff number to approximately 8,000 through internal hiring as well as the integration of acquisitions. We completed 11 acquisitions in 2007.
- Maintained a solid balance sheet with cash and cash equivalents of $14.2 million and a debt to equity ratio of 0.19
- Increased the limit of our credit facility from $160 million to $250 million to provide additional flexibility for future growth

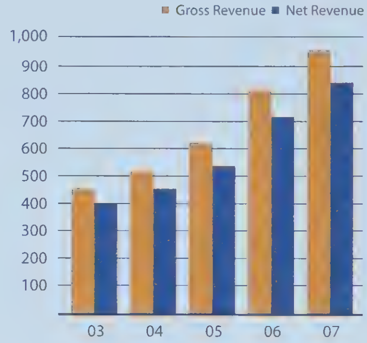
Cumulative Return on
$100 Investment Assuming Reinvestment of Dividends
December 31, 2002, to December 31, 2007



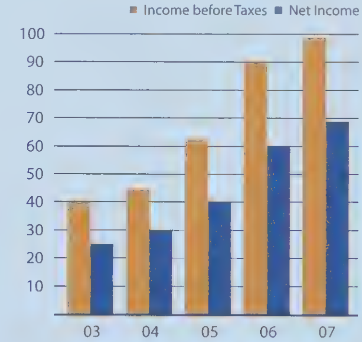
This publication contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act and Canadian securities law. Some of these statements may involve risks and uncertainties. Actual results may differ materially from those contained in these forward-looking statements. Additional information concerning factors that could cause actual results to differ materially from the results discussed in these forward-looking statements is contained in Stantec's filings with the U.S. Securities and Exchange Commission.

This book is part of a two-part publication. It is a general overview of Stantec Inc. for 2007. For an in-depth discussion of our 2007 financial and operating results, refer to our 2007 Financial Review. Our 2007 Business Review and Financial Review can be viewed on line at www.stantec.com under the Investors section.

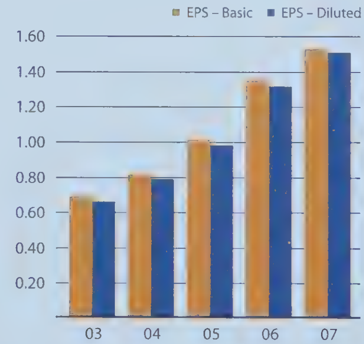
Gross and Net Revenue
(Millions of C$)



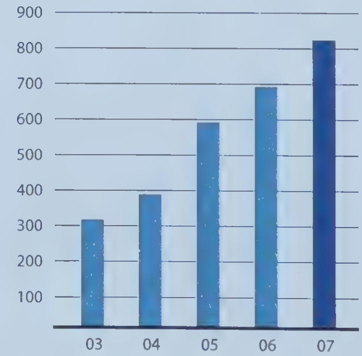
Income before Taxes and Net Income
(Millions of C$)



EPS (Basic and Diluted)



Gross Revenue Backlog
(Millions of C$)



EXECUTION

People are the power behind our organization.

From architects to engineers, interior designers, landscape architects, planners, scientists, economists, and many other professionals, our people are the source of the innovative solutions we provide to clients. Our people drive our communications, corporate development, marketing, human resources, information technology, financial services, and all other in-house activities. Our people lead our Company.

We are proud that our staff are knowledgeable, dedicated professionals. Many have advanced degrees, and many are recognized as national and international leaders in their fields. They are authors of papers, speakers at conferences, and members of industry associations, committees, and councils across North America and the Caribbean. Currently, over 300 of our employees are accredited with the Leadership in Energy and Environmental Design (LEED) Green Building Rating System®, a voluntary, consensus-based national standard for developing high-performance, sustainable buildings.

Our people are also active in the community, donating their time, expertise, and funds to worthwhile community endeavors.

Most importantly, our people are passionate about their work and about delivering high-quality project solutions that meet our clients' needs and have a positive impact on our world.

OPPORTUNITIES

Where we are at . . .

We take a prudent, focused approach to growth—both organic growth and growth through acquisitions. We have recently achieved several key growth objectives:

- We created a new subregion in Atlantic Canada with the addition of office locations in New Brunswick, Nova Scotia, and Newfoundland and Labrador.
- We expanded our operations in the United States, where we established a new presence in Alabama, Connecticut, Delaware, Indiana, Kentucky, Minnesota, Missouri, Ohio, Oklahoma, Pennsylvania, and West Virginia.
- We broadened our service offerings, particularly in the architecture, environmental engineering, planning and landscape architecture, and transportation engineering disciplines.

Where we are going . . .

Over the next 5 years, we plan to

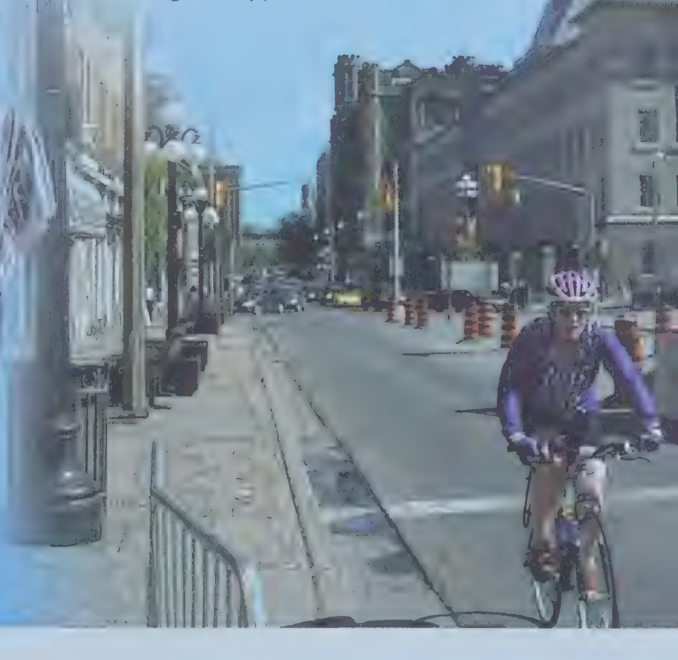
- Maintain our market presence in our mature regions
- Continue to grow our operations in our developing and emerging regions through a combination of internal hiring and acquisitions
- Expand into new regions in North America through acquisitions

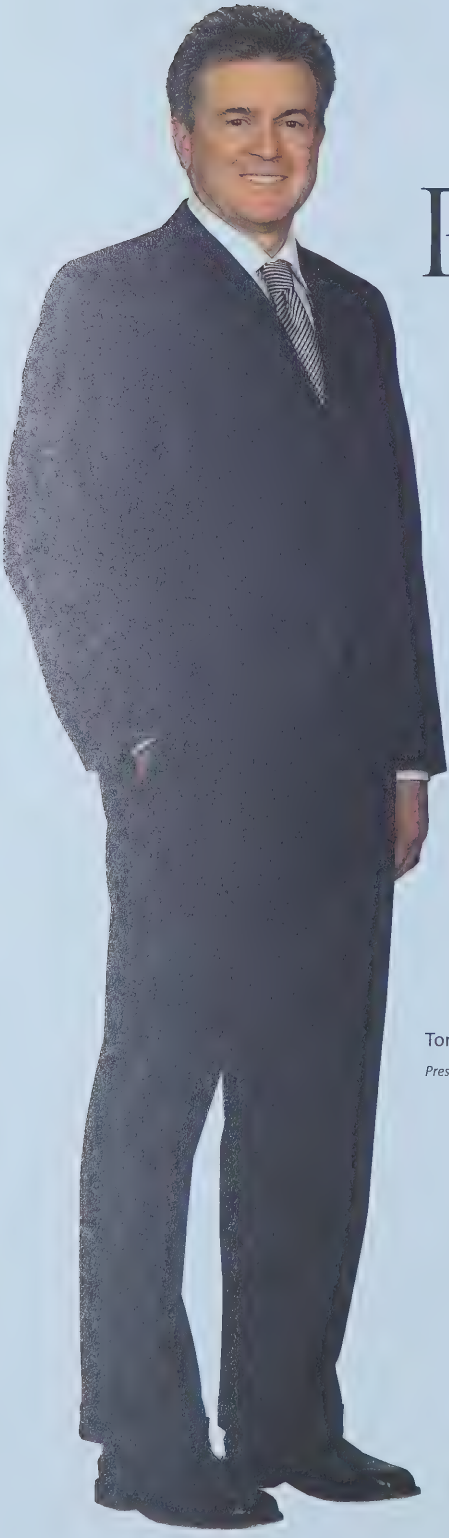
Over the next 10 years, we plan to

- Expand geographically outside North America, most likely to the United Kingdom, Australia, or New Zealand. By 2018 we target to generate up to 20 percent of our revenue from our international work.

- Expand our practice areas by adding complementary practices

- Expand the scope of services we provide in the initial planning stages of the project life cycle and during the maintenance stage, allowing us to strengthen our long-term relationships with clients and our full "cradle to grave" approach





PRESIDENT'S MESSAGE

When I look at Stantec today, I see a dynamic, ever-maturing organization. Our Company is evolving in ways that even 10 years ago we could only dream of. To our delight, we now have the largest architecture practice in Canada, and we have started to build a similar practice in the United States. We have expertise and experience in areas such as solar and wind power, linear infrastructure design, geotechnical engineering, and communications and control systems engineering, among other specialty fields. And we have offices across Canada and the United States, as well as in Barbados, Panama, and Puerto Rico.

Tony Franceschini, P.Eng.

President & CEO

We have been able to mature and evolve because we follow a sustainable business strategy that focuses on achieving long-term growth while mitigating risk for our shareholders. Our business model is based on diversifying our operations across different geographic regions, distinct practice areas, and all five phases of the infrastructure and facilities project life cycle. Each time we strengthen or add to these three dimensions of our model, we grow and diversify our business. Through such initiatives, we have increased our gross revenue at a compound annual rate of 20 percent since 1994, the year we became publicly traded. In 2007 we were a $954.6 million revenue company.

Yet what makes us unique is not our ability to grow but our love for our work, which is reflected in our corporate culture. The essence of Stantec's culture is teamwork. From our southernmost office in Panama City, Panama, to our northernmost office in Edmonton, Alberta, and every Stantec location in between, we collaborate on projects, sharing our skills and expertise. Teamwork—combined with passion and determination—helps us attain our goals.

Working together as one team enables us to support the services we deliver through local offices with the knowledge and skills of our entire organization. In fact, our operating philosophy is "Global Expertise. Local Delivery."

At Stantec our passion is design. We know that good design—the right combination of imagination, technical work, and aesthetics—has a powerful impact on our world. Indeed, engineering and architectural design, whether for a building, wastewater treatment plant, roadway, industrial process, neighborhood, or any other type of facility or infrastructure, touches every aspect of daily life.

In recent annual reports, we focused on our commitment to sustainability and our "One Team. Infinite Solutions." approach to client service. In this annual business review, we celebrate our "Global Expertise. Local Delivery." operating philosophy.

I hope you enjoy this annual review of our Company's business. This is Stantec today!

Tony Franceschini

Tony Franceschini, P.Eng.
President & CEO

We provide sustainable, integrated solutions that help improve the quality of life in our world now and for future generations.

The World of Stantec

Vision

Our goal is to become and remain a top 10 global design firm. For us, attaining this objective means being acknowledged for the quality of our work among the top 10 peers in our industry anywhere in the world. It also means working on the best projects for the best clients and being able to attract and retain the best employees. Our strategy for realizing our goal is to continually expand the depth and breath of our services, which, in turn, will result in growth. Currently, we are a $954.6 million revenue company with approximately 8,000 employees operating out of over 100 offices.

One Team. Infinite Solutions.

At Stantec we are one company working together as a team. By integrating our expertise in planning, engineering, architecture, interior design, landscape architecture, urban planning, science, surveying, economics, and project management across North America and the Caribbean, we provide our clients with an infinite number of project solutions.

Global Expertise. Local Delivery.

Working together as one team across our diverse regions and practice areas enables us to support the services we deliver locally with the integrated expertise of our entire organization.

Sustainable Solutions.

We are committed to delivering on the triple bottom line of environmental, social, and economic responsibility. We provide sustainable solutions to our clients by offering cost-effective and environmentally responsible services that contribute to ensuring a viable, healthy future for our world. We provide sustainable solutions to our communities by serving as a caring, stable force behind worthwhile community endeavors. And we provide sustainable solutions to our shareholders by following a business strategy that focuses on achieving long-term growth while mitigating risk. Throughout our organization, we strive to ensure that our business practices and design approaches "meet the needs of the present without compromising the future."

Integrated Solutions.

At Stantec we strive to deliver a different kind of project solution to our clients—an integrated design solution. In our world, providing integrated design solutions means everything from integrating our expertise from our multiple disciplines, practice areas, and offices to working in a variety of collaborative ways with clients and stakeholders to meet their needs and add value to their projects.

Track Record

We offer our shareholders a proven track record and the ability to grow while remaining profitable. Since our founding in Edmonton, Alberta, in 1954, we have achieved 54 consecutive years of uninterrupted profitability. And since our initial public offering on the Toronto Stock Exchange in 1994, we have grown our gross revenue, net income, and diluted earnings per share at an impressive compound annual growth rate of 20.0 percent, 24.8 percent, and 17.5 percent, respectively. This strong performance has contributed to an increase in the price of our shares from $2.75 in 1994 to $38.89 at the end of 2007.

Such performance gives us the financial strength to increase our revenue as well as our workforce by hiring new staff and acquiring companies that offer services in our service matrix. Since 1994 we have integrated over 60 firms into our Company from Canada, the United States, and the Caribbean.

BUILDINGS

Stanis Smith
Senior Vice President and Practice Area Unit Leader, Buildings

We provide architectural and buildings engineering design solutions to clients in a wide range of market sectors across North America, particularly the health care, retail/commercial, education, sports/recreation, and airports sectors. Over the past few years, we have also established an industry-wide reputation for leadership in sustainable and integrated design.

Manitoba Blue Cross Building—We provided full architecture and interior design services for the renovation and relocation of Manitoba Blue Cross's two-story headquarters in Winnipeg. Our design challenges were to restore the International architectural style of the building's exterior and update the building envelope and all building systems to current sustainable design and energy-efficiency standards.

In renovating the inside of the Manitoba Blue Cross headquarters, we used elements that are typical of the building's original style—clean lines, a natural color palette, stone and wood surfaces, indirect lighting, and views of the exterior—together with contemporary elements. The result is an elegant and comfortable office space that offers flexibility for growth while celebrating Manitoba Blue Cross's image and rich history.

Project team members (left to right): Jennifer Young, Cindy Rodych, Todd Littleford.

A prime example is our work with WestJet Airlines in Calgary, Alberta. Our Architecture group is leading an integrated Stantec team of programmers, interior designers, engineers, strategic management professionals, landscape architects, and LEED consultants in helping the airline consolidate its seven Calgary offices into a 92,000-square-metre (1-million-square-foot) corporate campus. Following the completion of a business case and master plan, the project is now into Phase I, the development of a new 29,264-square-metre (315,000-square-foot) head office linked to WestJet's hangar at the Calgary International Airport. Given the challenge of integrating WestJet's corporate culture into the project, we have designed an environment for the six-story building that is unpretentious, flexible, and cost effective and that encourages team building and collaboration. The facility, which is targeted to achieve LEED Silver certification, will also showcase green features such as geothermal heating, rainwater collection from the roof for landscape irrigation, and a highly efficient building envelope to reduce the effects of weather.

We are also proud of the sustainable solutions we included in our American Society of Heating, Refrigerating and Air-Conditioning award-winning design of the mechanical systems at the new Firstenburg Community Center in Vancouver, Washington. The 80,000-square-foot (7, 432-square-metre) facility includes such amenities as multipurpose classrooms, a community room, a fitness center, an aerobics/dance studio, a gymnasium and indoor walking track, and a leisure pool, combining recreational and community spaces. To help the City of Vancouver reduce the development's environmental impact, we incorporated natural ventilation, radiant heating and cooling, an energy-efficient central heat pump, high-efficiency boilers, and ventilation heat reclaim technology into the mechanical systems. Together with other green building features, such as daylighting and occupancy lighting controls, these systems are expected to reduce the center's energy use to at least 30 percent compared to a conventionally designed community

facility. Now in operation, the new center is not only a favorite destination for Vancouver residents but also the recipient of LEED Gold certification.

In Edmonton, Alberta, we have received national recognition for our work in converting the downtown Hudson's Bay Company Building, a municipal historic resource first opened to the public in 1939, into a satellite campus for the University of Alberta. We completed—from our offices in Edmonton and Calgary, Alberta—the architectural, interior, and electrical design of the renovations to the building, which has been renamed Enterprise Square. To revitalize the exterior, tyndall stone was removed from the third level and larger windows were installed. A fourth level was also added, set back from the original structure and clad in an animated curtain wall that plays off the original horizontal detailing. The exteriors of the first two levels, which are historically protected, were not changed. Inside the building, the electrical systems were upgraded and replaced, some 50 years of interior finishes were removed, and features such as the concrete structure and rare Italian terrazzo flooring were restored to their original state. Our design also included the development of a four-story atrium—complete with a glazed upper story—that serves as an open, light-filled gathering space in the center of the building. The end result is a distinctive, historically significant facility that integrates the university into downtown Edmonton and strengthens its ties with the city's business, arts, and cultural communities.

In New York, we were given the job of renovating the heating, ventilation, and air-conditioning systems at the 53-story Sheraton New York Hotel and Towers in New York City's Times Square. Over the past few years, complaints about the temperature controls in the 1,754 guest rooms at the hotel, which was built in 1963, have been common, and the original cast-iron and copper piping for the cooling/heating hot water system has been rupturing three or four times a year, creating a significant risk to operations.

Vancouver International Airport, International Terminal West Chevron Expansion—Our Architecture group designed a new nine-gate expansion of the International Terminal at the Vancouver International Airport in British Columbia. The first phase of the expansion, which includes the first four gates, houses new waiting areas, duty-free shops, services, restaurants, and dining areas. The new wing opened in 2007. The second phase of the expansion is scheduled to open in 2009. By 2010 the Vancouver International Airport is expected to serve 21 million passengers.

R.S. McLaughlin Durham Regional Cancer Centre—The new cancer center we designed in Oshawa, Ontario, includes a brachytherapy suite and space for radiation therapy, chemotherapy, surgical oncology, supportive and palliative care, early detection, and cancer genetics.

Project team members (left to right): Michael Moxam, Christine Andrews, Julio Rodriguez, David Morgan, Vic St. Pierre, Richard Eaves.

By combining our expertise in mechanical engineering, electrical engineering, and architecture, we designed a solution for replacing the piping distribution system for 45 floors as well as the piping and fan-coil heating units in each guest room; upgrading the temperature controls for the fan-coil units; and installing energy-reducing system components—all with minimal impact on the hotel's operations and guests. Scheduled for completion in 2010, the renovation is helping the Sheraton provide its guests with a comfortable, temperature-controlled hotel experience.

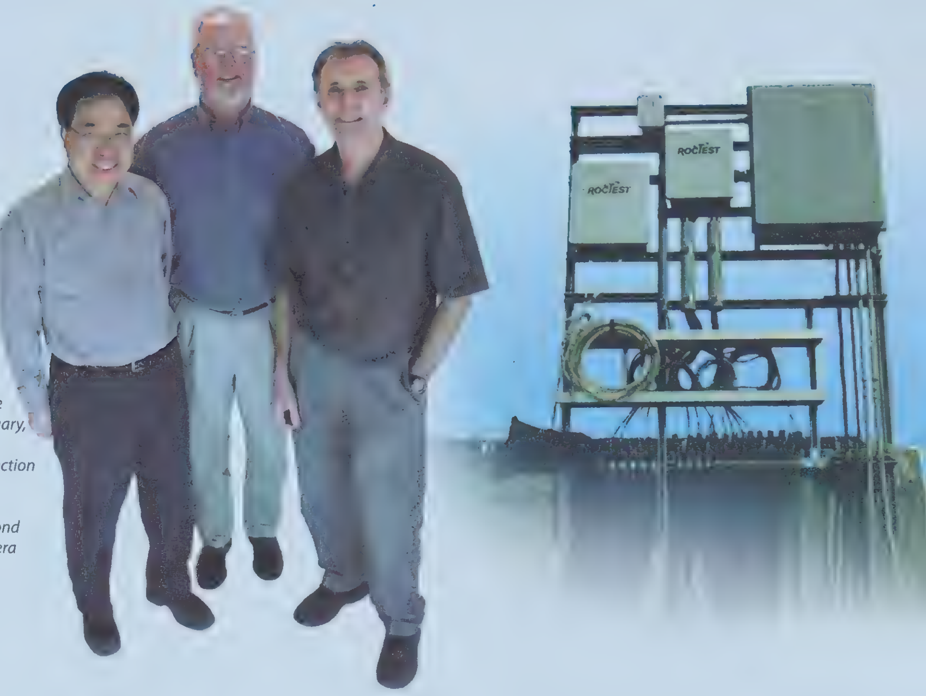
In Ontario, we put our architectural solutions to work in helping Lakeridge Health and Cancer Care Ontario meet a long-standing need for cancer care services in the Durham region around Oshawa. We provided master planning and full architecture services for the development of the new 8,360-square-metre (90,000-square-foot) R. S. McLaughlin Durham Regional Cancer Centre at Lakeridge Health Oshawa hospital, including spaces for treatment, prevention, screening, and palliative care. Our objective was to create a life-affirming environment for patients and their families, and to this end, we designed inpatient rooms that feature floor-to-ceiling windows to allow patients to see outside, connecting them to the community, along with a large outdoor healing garden. The center also includes areas for services such as education, pain management, nutrition counseling, and support. Now fully functioning, it provides care for about 400 patients a day.

ENVIRONMENT

Jeff Kishel
Senior Vice President and Practice Area Unit Leader, Environment

We provide solutions for water supply and wastewater disposal projects for communities and industries as well as for planning and permitting infrastructure projects, ecosystem restorations, and evaluations of the interaction between soil and built structures.

City of Calgary Sustainable Landfill Biocell—We completed the conceptual and detailed design of this landfill biocell project in Calgary, Alberta, which has been recognized for its innovative approach to managing municipal solid waste, producing landfill gas, recovering composted material, and mining recyclables. The project was granted an Award of Excellence from the Consulting Engineers of Alberta.



The sustainable landfill biocell located at the Shepard Waste Management Facility in Calgary, Alberta, consists of several components, including an instrumentation and data collection unit (pictured at the right).

Project team members (left to right): Raymond Chan, Don Davies, Geof Page, Nandana Perera (not shown).

For example, in Alberta we helped the City of Calgary realize one of its goals of managing residential solid waste by creating a sustainable landfill biocell that converts waste into useful products while reducing the city's landfill space requirements. Working with the city and the University of Calgary, we were responsible for the conceptual and detailed design of the biocell, which is located at the Shepard Waste Management Facility, along with project management during the construction and cell filling. The biocell is designed to accept 55,000 tonnes (61,000 tons) of residential and commercial organic waste and 30,000 wet tonnes (33,000 wet tons) of digested wastewater sludge. It functions in a two-phase—anaerobic and aerobic—cycle that biodegrades organic waste materials, collects and recirculates leachate (the liquid that leaches from a landfill), and collects landfill gas as a source of energy for an on-site electricity-generating plant. During the aerobic phase, the biocell also creates a composted product that can be marketed for commercial use. Following the completion of the aerobic cycle, the biocell can be mined for recyclable materials and the airspace reused, thereby ensuring the sustainability of waste treatment at the facility and extending the life of the landfill. The facility is now in full-scale use, and we are involved in monitoring its long-term operation.

In North Carolina, we took on the challenge of restoring 3,000 linear feet (914 metres) of a badly degraded stream channel flowing through agricultural land in Columbus County to help the North Carolina Ecosystem Enhancement Program achieve its mission of restoring, enhancing, and protecting watershed functions throughout the state. The project provided an ideal opportunity to test the compatibility of our three-dimensional channel design process with construction equipment guided by a global positioning system (GPS). We designed and administered the construction of the first 1,500 linear feet (457 metres) of the project using a traditional two-dimensional design and construction stakeout process and the second half of the project using three-dimensional design and GPS-guided construction equipment. To our great satisfaction, combining our three-dimensional technology with GPS-guided equipment sped up the construction process by 20 to 30 percent, resulting in cost savings for our client. In time, the restored stream will once again provide important habitats for coastal plain aquatic animals and terrestrial species.

In Arizona, we have contributed our world-renowned expertise in designing advanced wastewater treatment facilities to a major retrofit of the Nogales International Wastewater Treatment Plant located in Rio Rico. The Nogales plant serves the people of Nogales, Arizona; Nogales, Sonora (Mexico); and Santa Cruz County. Having undergone many upgrades since its original construction in 1943, it is in need of a change in treatment process in order to comply with current requirements for discharging effluent into the Santa Cruz River. Our staff have designed an advanced process that uses biological nitrogen removal technology, including new headworks, clarifiers, bioreactors, and a sludge treatment and thickening system. Slated for completion in September 2009, the upgraded plant will treat almost 15 million US gallons (57 megalitres) of influent wastewater per day for a contributing population of approximately 350,000 people.

Similarly, the environmental solutions we provided in designing the new Tussahaw Water Treatment Facility in Georgia helped the Henry County Water & Sewerage Authority meet demands for safe drinking water in its service area, one of the fastest-growing counties in the United States. The plant includes a raw water intake and pump station, sedimentation and filtration facilities, a 6-million-US-gallon (23-megalitre) clearwell, a sludge thickening system, transfer pumps, and high-service pumps. It currently supplies

Central Valley Water Reclamation Facility Clarifiers—We provided engineering, design, and construction administration services for the development of key components of this 63-million-US-gallon-per-day (236-megalitre-per-day) facility in Salt Lake City, Utah. Our work included the design of an expansion of the secondary sedimentation system, four new peripheral feed clarifiers, and a new secondary sludge pumping station. The solutions we provided will ensure that the facility can efficiently treat increasing wastewater flows.

Project team members (left to right): Darrel Dixon, Jim Stevens, Tom Holstrom.

13 million US gallons (49 megalitres) of finished drinking water per day to about 180,000 Henry County residents. However, the county is growing so rapidly that we are already designing an expansion to double the plant's production capacity to 26 million US gallons (98 megalitres) of water per day. The expansion is expected to be completed in 2010.

In Michigan, our challenge was to replace the Nichwagh Lake Dam in Green Oak Township for the Livingston County Drain Commissioner. Nichwagh Lake is part of the Huron River Watershed, one of Michigan's natural treasures. We were charged with designing a replacement dam that would establish the lake at the highest level possible without affecting lakefront residents or the environment. Also important was the need to save a historical railroad crossing and raceway to the mill for which the dam was originally built. Our design included a homogeneous earthen embankment with slurry trench cutoff walls and a gravity concrete overflow spillway with a bottom draw control structure. By maintaining a higher lake level, the new dam is helping to enhance large wetlands around the lake as well as habitats for endangered turtles and sand hill cranes. Elsewhere in the Huron River Watershed, we used our skills in dam inspection to prepare a condition survey of the Flat Rock Dam on the Huron River for the Huron-Clinton Metropolitan Authority in Wayne County. Built in 1924 by Henry Ford to generate electricity for an automotive lamp factory, the Flat Rock Dam was in need of repair in order to be redeveloped as a hydropower facility for the area. We inspected the concrete across the 495-foot (151-metre) spillway and gathered field data such as concrete core samples from the boat lock and retaining walls. The detailed report of our findings is now being used as the basis of design for repairs to the dam and lock walls.

Tussahaw Water Treatment Plant—We are designing an expansion of this plant in Henry Country, Georgia, that will double its treatment capacity. The project will require our expertise in civil, structural, mechanical, electrical, and process engineering as well as architecture to develop two flocculation/sedimentation basins; four filters; a 6-million-US-gallon (23-megalitre) clearwell; a residuals-handling/processing facility; and additional raw water, transfer, and high-service pumps.

INDUSTRIAL

Bob Gomes
Senior Vice President and Practice Area Unit Leader, Industrial

We provide industrial solutions for clients in the bio/pharmaceutical, power generation, utilities, mining, automotive, chemical, consumer products, forestry, food and beverage, pulp and paper, and general manufacturing sectors.

Stirling Energy Systems Inc. Solar Power Project—The Solar Two facility we are helping to develop in California's Imperial Valley will include some 37,000 SunCatchers installed in rows across a solar field spanning approximately 7,650 acres (3,096 hectares). Together, these solar dish assemblies will produce about 1.5 percent of the entire state of California's energy demand.

Photo courtesy of Stirling Energy Systems Inc.

Fraser Morgan Mine Project—One of our responsibilities in serving as the project managers for this mine project near Sudbury, Ontario, is managing the procurement of equipment such as this mine cat.

Project team members (left to right): Irfan Fazili, Stephanie Pawlowski, Roger Watts.

In the power generation field, staff in 17 Stantec offices—from Hauppauge, New York, and Kitchener, Ontario, to Portland, Oregon, and Ontario, California—are helping Stirling Energy Systems Inc. develop Solar Two, one of the world's largest commercial applications of solar technology. Located in California's Imperial Valley, east of San Diego, the facility is designed to generate a peak output of 900 megawatts of clean power and is anticipated to produce over 1,940,000 megawatt hours of electricity annually to meet the heating and cooling requirements of some 675,000 homes. Initially, we were contracted to assess methods of moving solar-generated power to the California electrical grid; however, our role has grown to encompass the water supply and treatment, drainage, utilities, high-speed communications, power transmission, site access, solar field layout, and maintenance and operations buildings and infrastructure for the site. We have also been responsible for identifying methods and procedures for quickly and efficiently constructing the 37,000 solar dish assemblies, known as SunCatchers, necessary for the operation. Planning for several additional sites, including an 850-megawatt-capacity field (Solar One) in the Mohave Desert, is also under way.

Our expertise in the area of power transmission was showcased in a complex, two-part project with a major electrical power provider in Edmonton, Alberta. For part one of the project, we provided detailed engineering design and construction support for the installation of a 10-kilometre (6.2-mile) 240-kilovolt underground transmission cable system running through the city's downtown, including 17 underground man vaults to accommodate cable splice points. Because the type of cable used was relatively new to Canada and had never been installed in a climate as cold as Edmonton's, we also designed the installation of a distributed temperature sensing system for monitoring the temperature of the cable along its entire 10-kilometre (6.2-mile) length via state-of-the-art fiber-optic technology. Part two of the project involved detailed engineering design and construction support for the development of a new substation and the upgrade of two existing substations in the city, bringing together our resources in several different

disciplines—environmental, electrical, civil, and structural engineering; architecture; surveying; project management and construction support; power system studies; computer-aided drafting and design (CADD); and three-dimensional CADD support. Our design work included the addition of a 240-kilovolt breaker, 240-kilovolt disconnect switches, and associated structural steel and civil works at the existing substation. At the new substation, we designed an additional 240-kilovolt breaker, three 72-kilovolt circuit breakers, and disconnect switches as well as completing the ring bus to increase the substation's reliability. We also designed the installation of a large new 450-megavolt-ampere power transformer. Once commissioned, this power transmission system will be one of the strongest sources of electric power for downtown Edmonton.

In the mining sector, we are serving as the project managers for an integrated team—including our client and the engineer of record—working on phases I and II of the Fraser Morgan Mine project in Ontario's Sudbury Basin for Xstrata Nickel. Together, the two project phases involve a prefeasibility study and the first stage of an early works program (EWD), followed by a feasibility study and the second stage of the EWD. The team's goal is to develop a plan for extracting nickel ore from a remote ore body near the Fraser mine. The plan must account for operational safety, be technically feasible, and be supportable in terms of costs, scheduling, and risks. As the project managers, we are responsible for controlling the costs and scheduling and for managing the procurement of equipment, among other critical activities, for the project studies. Our work is helping Xstrata Nickel meet an aggressive schedule while managing the impact of the EWD on

Imperial Oil Dartmouth Refinery Modernization and Upgrading—We have provided engineering services for over 1,800 projects undertaken to modernize and improve operations at the Imperial Oil Refinery in Dartmouth, Nova Scotia. Some of our major work has included complex process piping and equipment installations.

240-Kilovolt Underground Power Transmission Cable and Substation Development and Upgrades—We designed the installation of a 10-kilometre (6.2-mile) 240-kilovolt underground transmission cable system running through downtown Edmonton, Alberta, along with a distributed temperature sensing system for monitoring the cable's temperature. This two-part project also involved engineering services for the development of a new substation and the upgrade of two existing substations in the city.

*Project team members (*left to right*): Rick Steinke, Stephen Kristen, Thomas Lemire.*

the day-to-day operations of the mine. Following the completion of the project studies, Xstrata Nickel will be able to decide whether to proceed to the final engineering, procurement, and construction of the remote nickel extraction site.

In the oil and gas sector, we are providing engineering services for the installation of infrastructure at the Athabasca Upgrader, a bitumen-processing facility in northern Alberta owned by Total E&P Canada Ltd. Drawing on our expertise in many diverse disciplines, the scope of work will include water management planning and studies; raw water intake and pipeline engineering; wastewater treatment and effluent pipeline engineering; environmental impact assessment submission support; rail logistics and materials-handling engineering; administration, control, and fire hall buildings design; and access road and administration area studies. We are also acting as the prime consultant for several multidisciplinary projects for Suncor Energy in various locations in Alberta. Our responsibilities include building design, environmental management, stormwater/wastewater design, transportation planning, security planning, and industrial design. Currently, work is in progress on projects in Calgary and at the Fort McMurray/Oil Sands Plant Site, where we are completing the architecture and interior design of office space, warehouses, shops, and residences along with providing environmental infrastructure services for water and wastewater treatment.

TRANSPORTATION

Carl Clayton
Senior Vice President and
Practice Area Unit Leader,
Transportation

We offer solutions for the safe and efficient movement of people and goods through our core services for the transportation sector—project management, planning, engineering, construction administration, and infrastructure management.

Southeast Anthony Henday Drive—As part of a design-build team, we prepared the survey, road, drainage, bridge, and street lighting designs for the development of the southeast section of Edmonton, Alberta's ring road. The project earned a Consulting Engineers of Alberta Showcase Award of Excellence for Transportation Infrastructure.

Project team members (left to right): Selena Solis, Chai Chu, Chris Bosse, Eric Bernstein, Anh Le, Cel Ololo.

Dallas Area Rapid Transit Light Rail Systems—We are designing the communications and control systems for a new light rail transit line in Dallas, Texas, that will provide transit service to the communities of Carollton, Irving, Pleasant Grove, and Rowlett.

Using our expertise in transportation communications and control systems engineering, we are helping Dallas Area Rapid Transit in Dallas, Texas, develop a 27.7-mile (44.6-kilometre) extension to its light rail transit system. The new Green Line will provide transit service to the Greater Dallas communities of Carollton, Irving, Pleasant Grove, and Rowlett. Our responsibilities include the design and construction management of the central control facility, software, servers, fiber-optic backbone network, voice and data communications, visual message signs, public announcement systems, and vehicle management systems, among other facilities. Scheduled to begin operating in 2009, the new Green Line will give commuters a speedy and economical link from community to community, whether they are going to work, school, or play destinations. Likewise, the communications and control systems engineering we provided to Sound Transit in Seattle, Washington, for the development of a new 14-mile (23-kilometre) segment of its light rail transit system will help riders make an easy connection from the downtown core to the Seattle-Tacoma International Airport. We designed the central control system, the primary and backup operations control centers, and the emergency management panels for the new line. Service to the airport is anticipated to begin in late 2009, and by 2020 approximately 3,000 riders are expected to use the light rail transit line every day.

In Edmonton, Alberta, we recently celebrated the opening of the southeast section of Anthony Henday Drive, the city's ring road, following several years of work by a multidiscipline Stantec team from throughout North America. In addition to completing traffic modeling and developing performance specifications for the project in its formative stages, we were one-half of the design-build team responsible for preparing the survey, road, drainage, bridge, and street lighting designs. With 20 bridges, five interchanges, four flyovers, and no traffic lights, the 11-kilometre (6.8-mile) completed road is helping to ease traffic congestion in the city's growing south side. We are now providing ongoing assistance to operations staff in pavement performance inspections. Previously, we were involved in managing and designing a major portion of the southwest leg of the ring road, which was opened to traffic in 2005.

In New York, New York, we helped the New York State Department of Transportation achieve its vision of redeveloping Route 9A, a major roadway that runs through the west side of Manhattan, into a world-class urban boulevard. Originally built in the late 1920s, Route 9A was in disrepair, and its tightly curved, narrow design no longer accommodated modern vehicles. Acting as the prime consultant, we prepared the preliminary plans for the redevelopment, which was divided into seven roadway segments, and then designed the first segment to set the standards for reconstructing the rest of the road. The work not only called on our capabilities in highway design but also required our expertise in planning, landscape architecture, environmental management, and project management. We also designed new drainage facilities; trunk sewers; water mains; and electric, telephone, and gas facilities for the project. Now open to the public, the new Route 9A is a tree-lined, multilane boulevard with a separate bikeway and landscaped promenade where locals and visitors drive, bike, and stroll, surrounded by landmarks such as Battery Park and the Hudson River waterfront.

Working as an integrated team of transportation engineers, preservation planners, landscape architects, botanists, and environmental specialists from Stantec offices in New York and Massachusetts, we planned and designed the rehabilitation of 13 miles (21 kilometres) of historic roadway in Mount Greylock State Reservation in Berkshire County, Massachusetts, for the Massachusetts Department of Conservation & Recreation. This parkway, which had undergone improvements by the Civilian Conservation Corps in the 1930s as part of a Depression-era public works program, required repavement and safety repairs. Inappropriate alterations also needed to be removed. Our task was to rehabilitate the parkway in a manner that balanced safety, recreation, conservation, and historic landscape preservation. Given this challenge, we provided solutions for repairing the roadway and drainage system; rehabilitating historic features (including

Route 9A Reconstruction—We designed the redevelopment of this major roadway in New York, New York, paving the way for it to become a world-class urban boulevard enjoyed by motorists, cylists, and walkers alike.

Mt. Greylock Historic Parkway Rehabilitation—We teamed up from our offices in New York and Massachusetts to plan and design the rehabilitation of 13 miles (21 kilometres) of scenic historic roadway in Mount Greylock State Reservation in Berkshire County, Massachusetts. Our integrated solutions will help make Mount Greylock a more enjoyable place for visitors.

Project team members (left to right): Ron Headrick, Jamie Falise.

stone walls, box culverts, overlooks, and vistas); restoring historically appropriate timber guide rails; and protecting wetlands and rare and endangered species. Once complete in 2009, the rehabilitation will make Mount Greylock a safer and more enjoyable place for the thousands of people who visit it each year.

We also provided transportation solutions that are helping the Massachusetts Port Authority (Massport) meet regulations for improved runway safety at Logan International Airport in Boston. The project involved designing the installation of an engineered materials arresting system (EMAS) at the end of the airport's longest runway. EMAS is a new technology that uses proprietary lightweight crushable concrete blocks to slow down or stop aircraft that may overshoot a runway, potentially minimizing damage to the aircraft and preventing injuries to passengers through controlled deceleration. In addition, we recently completed the design and resident inspection of a reconstruction of the alleyway and apron areas that service Terminals B and C at the airport. Our design included a unique blend of rigid and flexible pavements. The central portion of the alleyway, which had often required emergency repairs because of progressive damage caused by heavily loaded aircraft, was reconstructed with a 15-inch (38-centimetre)-deep Portland cement concrete (rigid) keel section. The surrounding apron areas were rebuilt with varying depths of polymer-modified asphalt base (flexible) pavement, followed by a 2-inch (5-centimetre)-deep surface course of fuel- and rut-resistant asphalt. Working with Massport and airline tenants, we also developed a reconstruction phasing plan for the project that allowed ground operations at the terminals to continue with minimal disruption to the airlines.

URBAN LAND

Paul Allen
Senior Vice President and Practice Area Unit Leader, Urban Land

We provide planning, landscape architecture, surveying, engineering, and project management solutions, principally for the land development and real estate industries.

Kincora Residential Development—The solutions we provided for the development of the Kincora community in Calgary, Alberta, helped to preserve and protect an extensive ravine system, including sloped native grasslands.

We developed an Irish theme for the Kincora community that is expressed through stone walls, a community sentinel, and other landscape features.

*Project team members (*left to right*): Dave Baker, Francisco Lourido, James Scott, Ian Anderson, Munir Haque, Jacqueline Joyce, Rob Scott, Mark Wynker (sitting).*

For example, we have won national acclaim for our work with the developers of Kincora, a 1,700-unit residential community in northwest Calgary, Alberta. We contributed planning, engineering, legal survey, landscape architecture, environmental assessment, and transportation services to the community's design. Made up of 129 hectares (320 acres) of land, the development encompasses an extensive ravine system, including sloped native grasslands, along with archeological sites, and protecting and conserving these sensitive areas were key drivers for the design. More than 30 percent of the land (some 32 hectares [80 acres]) was dedicated as environmental reserve, not only to preserve the ravines and grassy slopes but also to provide a natural recreational amenity for residents. The community also includes a 3-hectare (8-acre) constructed wetland for treating stormwater runoff, an extensive trail system to encourage the use of alternative modes of transportation, a variety of housing styles, and a public school site, as well as providing easy access to public transit, commercial centers, and employment opportunities. An evolution in new community design, Kincora offers its residents a dynamic, engaging place to live, learn, work, and play.

In New York, New York, we are playing an instrumental role in the reconstruction of Fort Washington Park—a 160-acre (64.7-hectare) strip of dramatic cliffs and grassy meadows fronting the Hudson River—for the City of New York Parks & Recreation department. Known as one of the best spots in Manhattan for viewing peregrine falcons as well as the Little Red Lighthouse and the Palisades, the park has drawn people to its grounds for centuries. The reconstruction project is part of New York City mayor Michael

R. Bloomberg's PlaNYC initiative to provide New Yorkers with new and reconstructed open space and recreational opportunities. We are responsible for completing the Fort Washington Park master plan, providing public outreach, and participating in the schematic, preliminary, and final designs (including site survey, engineering, and landscape designs) of the reconstruction. The project brings together our specialty landscape and site design services in waterfront stabilization, bikeway/walkway design, adaptive reuse of historic park structures, archaeological and historic research and analysis, invasive species control, and use of innovative LEED-rated infrastructure design measures. With new or revitalized historic structures, trails, playgrounds, and recreation areas, Fort Washington Park is sure to continue to delight users for years to come.

We are also helping Wood Ridge Development transform its vision of Carothers Crossing—a 600-acre (243-hectare) mixed-use traditional community—into reality in Nashville, Tennessee. Our role is to complete the landscape architecture and urban land engineering for the community, which will be the largest traditional neighborhood development in the city, recapturing the small-town atmosphere of a bygone era. Designed to emphasize diversity, "walkability," and public spaces, the community will include a range of housing styles (3,000 residential units in total); numerous neighborhood businesses; common areas, such as an outdoor market; and common buildings, such as a town hall. In addition, about 55 percent of the land will be set apart as open green space, including rolling meadows, nature trails, and fish ponds, which will support habitats for area wildlife. The development is expected to be fully built by 2020, providing residents a vibrant, self-sustaining place to live.

Fairfield Estates—We designed the grading and drainage system for this 69-lot rural estate development in King Township, Ontario, northwest of Toronto. To fulfill our client's requirements, the grading solutions we provided were in keeping with the rolling nature of the site's original topography, and our design for the drainage system respected the sensitivity of the Oak Ridges Moraine, one of the most significant landforms in southern Ontario.

Promontory Community Park—The integrated solutions we provided for the development of this park in El Dorado Hills, California, resulted in amenities like this popular children's play area based on themes from nature.

Project team members (left to right)*: Sarah McIlroy, Paul Marcillac, Dave Knoll, Ron Reta, Todd Rhoads.*

In El Dorado Hills, California, we combined our skills in landscape architecture; public outreach; architecture; civil, mechanical, and electrical engineering; environmental management; and construction administration to create a community park for the El Dorado Hills Community Services District. Set in the hillside above Folsom Lake, the 19-acre (8-hectare) park is part of The Promontory master-planned community. We developed the vision for the conceptual park master plan—taking into account challenging program requirements within The Promontory's granite-studded terrain—through a community design process. Phase one of the plan included three lighted ball fields, a lighted synthetic soccer field, two lighted synthetic bocce ball courts, two lighted tennis courts, a children's play area, a restroom/concession facility, a maintenance building, and parking. Since being opened to the public in the spring of 2007, these park amenities, particularly the play area, have gotten good reviews from users. Phase two of the park development is currently being designed and will include an interactive water play area that reflects themes from neighboring flora, fauna, and wildlife; a large group picnic area; and unique play structures.

Water For People in Developing Countries—In 2007 we donated $50,000 to Water For People, an international charity that supports water, sanitation, and hygiene education projects in developing countries. Our employees have been active in the organization since 2003, volunteering for fund-raising events, serving as committee and board members, and contributing in-kind services, including supervising the construction of a water supply project in Malawi.

SUSTAINABILITY

At Stantec we are committed to delivering on the triple bottom line of environmental, social, and economic sustainability, and our corporate citizenship record is excellent. We work to lessen the environmental impact of our operations; we have a generous Community Investment Program; and we contribute to the economic growth of our diverse stakeholders. Yet the path to sustainability is a continuing journey, and we are always striving to improve our performance in this area.

In 2008 we are preparing our first comprehensive sustainability report according to the internationally recognized guidelines put forward by the Global Reporting Initiative, a large, multistakeholder network of sustainability experts. The following are some of the highlights of our report.

Environmental Sustainability

As part of our commitment to environmental sustainability, we aim to promote environmental awareness among our employees and clients and in the communities in which we work. Internally, we help educate our staff through seminars, discussion groups, and other activities. Externally, we are actively involved in research, education, and leadership in the sustainable design industry.

To complement the sustainable design services we offer our clients, we "walk the talk" by taking steps to ensure that our own operations are environmentally responsible. For example, in 2004 our Architecture group in Vancouver became the first Canadian architectural design practice to set up an ISO 14001-certified environmental management system, which is helping the group monitor and continually improve its environmental footprint in buildings projects. In 2006 we engaged a full-time sustainability coordinator to be responsible for initiating and supporting sustainability initiatives across the Company. And over the past two years, 12 of our offices have established Sustainability Committees—voluntary groups of employees who are helping facilitate greening efforts at the local level.

2007 Highlights

- We added three more LEED-certified offices to our ranks—in Kamloops, British Columbia; Toronto, Ontario; and San Francisco, California.
- Our Sarasota, Florida, office became the first engineering consulting firm to be certified by the Sarasota County Green Business Partnership.
- We launched our Bike to Work Office Challenge—a competition between Stantec offices to encourage employees to cycle commute—with 15 offices participating.
- We spread the message of sustainability by producing a green-themed electronic holiday card. This initiative not only reduced the environmental impacts of paper use, printing, and delivery but also channeled financial savings toward various charities.
- Our head office in Edmonton, Alberta, switched to using printer/copier paper made from 100 percent postconsumer recycled material, along with nontoxic, environmentally safe cleaning products.
- Four Stantec offices introduced a subsidized employee transit pass program.

Our office in Regina, Saskatchewan, teamed up with local radio station 104.9 The Wolf to cohost Sticks on Rose, a charity street hockey tournament. Joining our staff were local business people, sports and media personalities, and special guests, including cast members from the sitcom Corner Gas. *The event raised almost $30,000 for Regina Palliative Care Inc.*

Social Sustainability

We are a caring company, committed to supporting the growth of our people by enhancing their knowledge, prosperity, health, and quality of life.

Being part of a top global design firm gives our employees opportunities to work on some of the best projects with the best clients in the markets we serve. As a large firm, we can also offer our employees a wide range of career opportunities, and we encourage advancement through comprehensive learning and mentorship programs that are available to all staff. Learning is accomplished through a variety of training models, including internal courses, eLearning, conferences and seminars, guided reading, and on-the-job experiences. As well, our director of Learning is available to assist employees in identifying and achieving their professional development goals.

Our goal is to have the best-trained, best-informed, and best-equipped employees in our industry, and to this end, we make every effort to provide our people with the resources they need to do their jobs well.

2007 Highlights

- Stantec was listed on the Jantzi Social Index, a common stock index that is socially screened and weighted by market capitalization.
- We created a Sustainability Faculty, a trained group of instructors who have been mandated to teach other employees the principles of sustainable project design.
- Stantec was ranked #24 in a listing of Canada's Best 50 Corporate Citizens compiled by *Corporate Knights* magazine.

Economic Sustainability

At the core of our commitment to economic sustainability is collaboration with our stakeholders as well as external organizations. We recognize that our success is closely tied to our relationships with three stakeholder groups: employees, clients, and shareholders. By maintaining a balance of interests among these groups and engaging them in our business, we are not only realizing our goal of becoming a top 10 global design firm but also contributing to their prosperity.

Stantec's Green Office in Toronto, Ontario—We renovated our new office in Toronto, Ontario, to the rigorous environmental standards of LEED for Commercial Interiors Gold certification. The renovation was an adaptive reuse of the former MacGregor Socks factory, a 1905 heritage property in the downtown core. We achieved our environmental goals for the renovation by using reclaimed and recycled materials, indirect and low-wattage task lighting, daylight and occupancy sensors, solar-powered faucets, dual-flush toilets, low-flow showers, and finishes that contain low levels of volatile organic compounds.

Employees

Our employees are our most important competitive resource. To attract, retain, and motivate employee stakeholders, we offer compensation plans that are innovative, flexible, and designed to reward top performance. One of these plans is our retirement savings program, which gives our Canadian and US employees the opportunity to purchase shares, including those of Stantec, and to have the Company contribute to their investment.

We also use tools such as Company-wide employee surveys to enable our staff to provide feedback on our organization as an employer. The results of these performance metrics help us develop programs and initiatives for maintaining and improving staff engagement.

Clients

Our clients' satisfaction ultimately determines the success of our work, which should be the best professional service in their eyes. Being the best means striving for excellence, consistency, and effectiveness. To ensure that we are meeting our clients' expectations, we routinely conduct surveys asking them to assess our performance.

Shareholders

Our shareholders influence the valuation of our Company in the public market, and to keep them committed to investing in our firm, we offer a proven track record and the ability to grow while remaining profitable. Our strong market performance has contributed to an increase in the price of our shares from $2.75 upon our initial public offering in 1994 to $38.89 at the end of 2007.

External Organizations

Along with the prosperity of our shareholders, we support the growth of the communities in which we work through our Community Investment Program. Every year, we pledge to donate one percent of our pretax profits to charitable and nonprofit organizations in the form of direct cash contributions or services in kind focusing on four primary areas: the arts, education, the environment, and health and wellness. We also encourage personal charitable giving by employees and promote and facilitate employee volunteerism.

2007 Highlights

- At the end of 2007, our employees and their families participated in Stantec's success by owning over 12 percent of our outstanding shares.
- Stantec stock was held by numerous mutual funds focused on socially responsible investment.
- $1 million in contributions was given through our Community Investment Program, supporting over 300 organizations.
- We presented 21 scholarships in partnership with universities across North America through the Stantec Scholarship Program.

Left to right: Robert Mesel, Aram Keith, Tony Franceschini, Bill Grace, Ron Triffo, Ivor Ruste, Susan Hartman, Robert Bradshaw.

Board of Directors

Aram Keith
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Stantec Inc.

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Toronto, Ontario
Chairman,
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Robert R. Mesel [1]
Kiawah Island, South Carolina
Corporate Director

Anthony P. Franceschini
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William D. Grace [1, 2]
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Executive Vice President and
Chief Risk Officer,
EnCana Corporation

Ronald P. Triffo
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Chairman of the Board,
Stantec Inc.

[1] Audit Committee
[2] Corporate Governance and Compensation Committee

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Chairman

Anthony P. Franceschini
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Mark Jackson
Senior Vice President & COO

Donald W. Wilson
Senior Vice President & CFO

Jeffrey S. Lloyd
Vice President & Secretary

Shareholder Information

Transfer Agent
Computershare Trust
Company of Canada
Calgary, Alberta

Auditors
Ernst & Young LLP
Chartered Accountants
Edmonton, Alberta

Principal Bank
Canadian Imperial Bank
of Commerce

Securities Exchange Listing
Stantec shares are traded on the TSX under the symbol STN and on the NYSE under the symbol SXC.

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Annual Meeting
May 1, 2008
11:00 AM MDT
Enterprise Square
10230 Jasper Avenue
Edmonton, Alberta
Canada

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Local Offices by Region

Canada

Calgary, Alberta
Edmonton, Alberta
Red Deer, Alberta
Lethbridge, Alberta
Abbotsford, British Columbia
Kamloops, British Columbia
Kelowna, British Columbia
†Vancouver, British Columbia
Victoria, British Columbia
Winnipeg, Manitoba
Guelph, Ontario
Hamilton, Ontario
Kitchener, Ontario
London, Ontario
Ottawa, Ontario
†Toronto, Ontario
Windsor, Ontario
Regina, Saskatchewan
Saskatoon, Saskatchewan
Fredericton, New Brunswick
Labrador City, Newfoundland
Halifax, Nova Scotia
Sydney, Nova Scotia

Caribbean

St. Michael, Barbados
Guaynabo, Puerto Rico
Panama City, Panama

US West

Flagstaff, Arizona
Phoenix, Arizona
Tucson, Arizona
Bakersfield, California
Fresno, California
†Irvine, California
†Los Angeles, California
Modesto, California
Moreno Valley, California
Ontario, California
Palm Desert, California
Redlands, California
Sacramento, California
San Diego, California
†San Francisco, California
San Luis Obispo, California
Walnut Creek, California
Denver, Colorado
Fort Collins, Colorado
Las Vegas, Nevada
†Reno, Nevada
Portland, Oregon
†Dallas/Fort Worth, Texas
Houston, Texas
Midland, Texas
Salt Lake City, Utah
†Seattle, Washington

US East

Birmingham, Alabama
†Hartford, Connecticut
Wilmington, Delaware
Port Charlotte, Florida
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St. Cloud, Florida
Tampa, Florida
†Atlanta, Georgia
Macon, Georgia
Indianapolis, Indiana
Jeffersonville, Indiana
Chicago, Illinois
Springfield, Illinois
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Louisville, Kentucky
†Portland, Maine
Presque Isle, Maine
†Boston, Massachusetts
Lee, Massachusetts
Northampton, Massachusetts
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†Detroit, Michigan
Minneapolis, Minnesota
Manchester, New Hampshire
Mount Laurel, New Jersey
Newark, New Jersey
Rochelle Park, New Jersey
†Trenton, New Jersey
Albany, New York
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†New York, New York
†Montebello, New York
Rochester, New York
Charlotte, North Carolina
Raleigh, North Carolina
Winston-Salem, North Carolina
Akron, Ohio
† Cincinnati, Ohio
Columbus, Ohio
Logan, Ohio
†Toledo, Ohio
Youngstown, Ohio
Oklahoma City, Oklahoma
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Nashville, Tennessee
North Springfield, Vermont
South Burlington, Vermont
†Winchester, Virginia
Richmond, Virginia
Roanoke, Virginia
Buckhannon, West Virginia
Charleston, West Virginia

Stantec office locations as of February 1, 2008.

† This map location represents multiple offices in the area.

Stantec

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